

Problems and Prospects of Micro-Enterprises in Haryana

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Abstract

A favourable business environment plays a hefty role in economic development and consequent upon the same some of the institutions have developed indices or indicators at global level that depict a country's business regulatory environment in an encapsulated form. The Government of India spurred its efforts towards improving the business regulatory environment of the country which resulted to an improvement in the position of India in the Ease of Doing Business index of the World Bank Doing Business Project, from 142nd in 2015 to 63rd in 2020. The study probes the problems faced by entrepreneurs of micro-enterprises operating in district Rohtak of Haryana vis-a-vis Ease of Doing Business. Data for the purpose were collected from 50 entrepreneurs using purposive convenient sampling technique through a schedule; and analyzed by using Factor Analysis technique. The study attributes that the majority of entrepreneurs do not feel at ease in fulfilling the required formalities while establishing and running their ventures and further, the corrupt practices prevailing in the system also create hindrances in the way of doing business. The study recommends that the Government should put extra efforts through rationalizing the rules and regulations governing the business environment, and improving the basic infrastructural facilities.

Keywords: Ease of Doing Business, Entrepreneurs, Micro enterprises, Problems, Haryana.

Introduction

The World Bank publishes reports of Doing Business covering the analysis of business regulatory environment and the rules and regulations that encourage or constrain a business activity since 2004 in about 190 countries with the help of the Ease of doing business index (World Bank, 2020). The reports are based on the premise that an effective economic activity needs clear and simple regulations (Djankov et al., 2006). Ease of doing business is an index that explicitly measures the business environment using ten indicators- starting a business, dealing with construction permits, getting electricity, registering a property, getting credit, protecting minority investors, paying taxes, trading across the borders, enforcing contract and resolving insolvency (World Bank, 2020); and is one of the essential aspects of a country's economic growth (Musakaruka, 2016; Djankov et al., 2006; Yadav, 2020). Along with this, globally, institutions are in the practice of constructing such indicators through which the state of doing

business of an economy is presented in an encapsulated form; Rankings of *Doing Business Project* or *Global Competitiveness Report* from World Economic Forum (Schwab, 2019). Consequently, the notion grabbed the attention of many governmental bodies, academia and other private organizations to focus on improving the business regulatory environment (Arruñada, 2007). Furthermore, Government of India also surveyed the entrepreneurs of different regions (NITI Aayog & IDFC Institute, 2017) to analyze the ease of doing business in India. Although,

A vibrant Micro, Small, and Medium Enterprises (MSMEs) sector of India makes investments, create employment opportunities, and enhances overall productivity leading to income generation and economic growth. The MSME sector contributes to the GDP (30 per cent), exports (48 per cent), employment generation (11 crores), and supplies about 95 per cent of the industrial products in India (Department of Economic Affairs, 2021). To strengthen the sector and encourage entrepreneurial activities, Government of India has initiated several reforms like granting permissions, sanctions, and approvals of basic facilities through online mode but yet the sector has been constantly confronted with many problems as have been stated by a mounting body of academic literature (Anandhi, 2017; Arruñada, 2007; Chanu, 2019; Haidar, 2012; Hussain & Yaqub, 2010; Saikia & Hazarika, 2018; Siddiqui, 2015; Singh & Chanu, 2014) in India or globally.

The present study seeks to examine the problems experienced by the entrepreneurs of Rohtak region of Haryana holistically and from a multi-dimensional perspective portraying the literature review, methodology, and the types of data, tools/techniques applied to achieve the set objectives, and finally, the results followed by the conclusion section.

Literature Review

The relationship between the business regulatory environment and the economic growth measured in terms of productivity, level of income, or GDP of an economy has been under investigation by many academic circles over the last two decades (Djankov et al., 2006; Yadav, 2020; Zambujal-Oliveira & Pinheiro-alves, 2011; Udayanga & Jayaweera, 2019; Musakaruka, 2016).

In recent years, many analysts, economists, government institutions, and business experts have focused on constructing and describing the best regulatory environment for doing business in India (NITI Aayog & IDFC Institute, 2017). On the other hand, some institutions have presented the business environment at a global level by constructing some indices in a synthesized form depicting the ease of doing business.

Saikia & Hazarika (2018) found that most of the manufacturing and service sector enterprises were facing problems such as high wage rate, lack of raw material, markets, and roads. Further, as the firms' profits were increasing, the problems were decreasing. Siddiqui (2015), in a more general evaluation, assessed the problems faced by 112 entrepreneurs while doing their business and the results indicated that excessive competition in the market, weak market demand,

shortage of working capital, high cost of borrowing, unavailability of Finance, etc., are the areas that are affecting MSMEs the most. Chanu (2019) assessed the relationship between the business environment and the performance of Manipur's micro enterprises and a significant and positive relationship was found between the majority of the factors of doing business and the performing efficiency of the enterprises.

Das & Barman (2013) studied the status of functioning of microenterprises in the Hajo Development Block and found that the basic infrastructural facilities like roads, transportation, technical know-how, supply of labour, raw material, marketing of products, power supply, adequate capital, etc., are still the factors posing problems in the way of the growth of micro-enterprises. Deb (2014) probed the perception of the entrepreneurs doing business in Tripura. He found that a majority of the entrepreneurs were not satisfied with the environment provided to them since they were confronted with so many problems beginning with establishing their business, procuring funds, registering property, getting electricity connection, enforcing contracts, and liquidating their business; also corruption, unethical payments seems to be very common. Hussain & Yaqub (2010) investigated the major success factors, and motivating factors, and results indicated that the economic factors were the primary motivating factors behind doing business; customer service, entrepreneurs' know-how, and experience are the main success factors. Abiyoso (2018) explored and discussed the problems with which the entrepreneurs of Indonesia are confronted with, particularly, the process of contract enforcement in the Indonesia. He revealed that the general public and specially the business entities of Indonesia, were dissatisfied with the existing dispute settlement system in the courts and considered the process as long and tedious.

Anandhi (2017) studied the economic activities of entrepreneurship to evaluate the performance of MSMEs in terms of employment, output, and promotion of exports and found that the entrepreneurs of MSMEs face many problems. The study recommended that the DICs suggest provisional or permanent registration numbers for small and medium enterprises and financial institutions, and the Indian Banking Industry must enhance its share of finance to MSMEs by more lending. Singh & Chanu (2014) investigated the major financing issues faced by the entrepreneurs of micro-enterprises where most of them avowed that they didn't have any access to the loans provided through the formal banking system and had no awareness among them regarding government aid.

Objective

The objective of the present study is to examine the problems faced by the entrepreneurs of the Micro Enterprises of Rohtak district of Haryana.

Methodology

Primary data were collected from 50 entrepreneurs of Micro Enterprises operating in the Rohtak district of Haryana with the help of a schedule containing 18 questions regarding socio-

demographic characteristics and the problems faced by them in the context of Ease of Doing Business. Secondary data were also collected from different journals, papers, articles, and various other sources like World Bank Doing Business Reports, Department of Promotion of Industry and Internal Trade (DPIIT), etc. to support the results of the study.

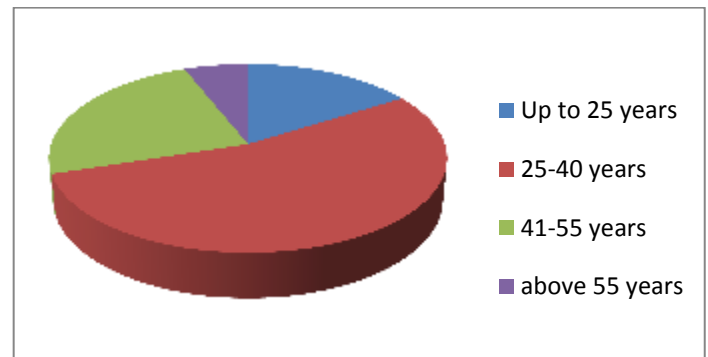
Tools & Techniques

The primary and secondary data collected were further processed with the help of Statistical Package for Social Sciences (SPSS) and analyzed with the help of Factor Analysis supported by non-parametric tests like the Mann-Whitney U test, and Kruskal Wallis H test to reach the conclusions.

Analysis

Table 1 Age of Respondents

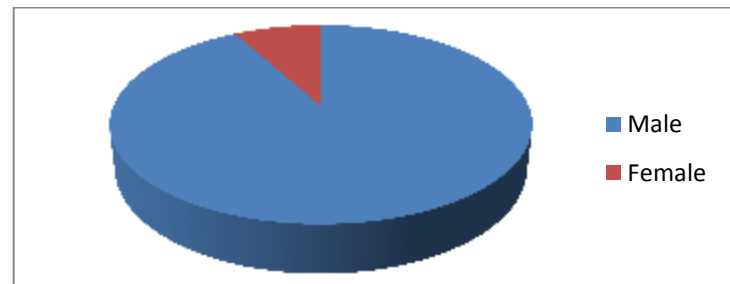
Age Group	Frequency	Percentage
Up to 25 years	8	16
25-40 years	27	54
41-55 years	12	24
above 55 years	3	6
Total	50	100



Source: Primary Data

Table 2 Gender of the Respondents

Gender	Frequency	Percentage
Male	46	92
Female	4	8
Total	50	100

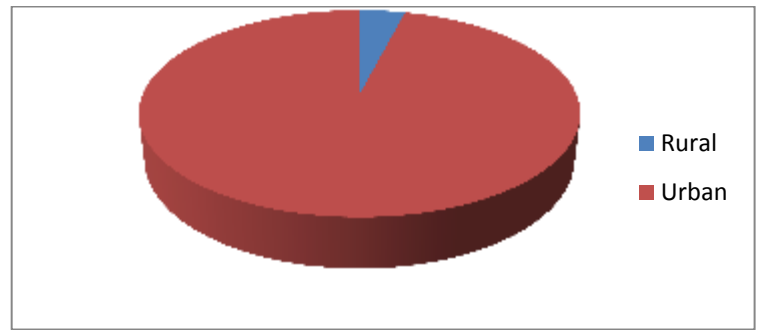


Source: Primary Data

Table 3 Area of Residence of the Respondents

Area of Residence	Frequency	Percentage
Rural	2	4

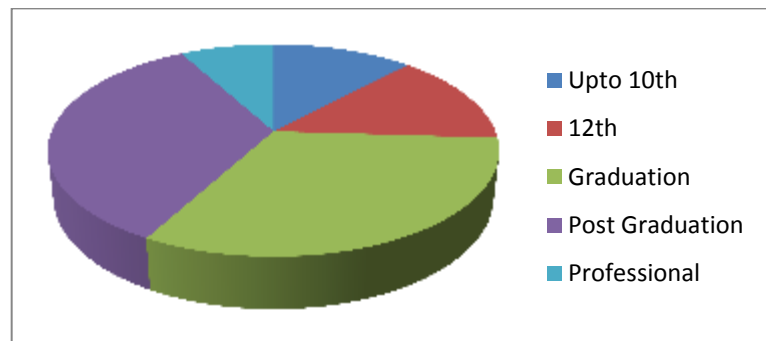
Urban	48	96
Total	50	100



Source: Primary Data

Table 4 Educational Qualification of the Respondents

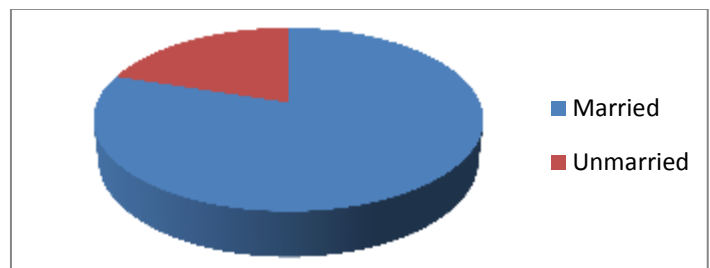
Educational Qualification	Frequency	Percentage
Upto 10 th	6	12
12 th	7	14
Graduation	16	32
Post Graduation	17	34
Professional	4	8
Total	50	100



Source: Primary Data

Table 5 Marital Status of Respondents

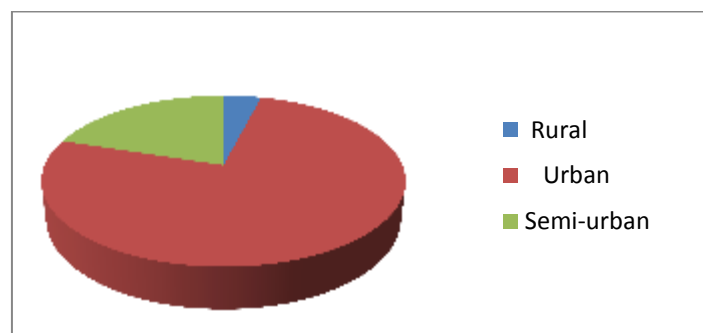
Marital Status	Frequency	Percentage
Married	40	80
Unmarried	10	20
Total	50	100



Source: Primary Data

Table 6 Location of Enterprises

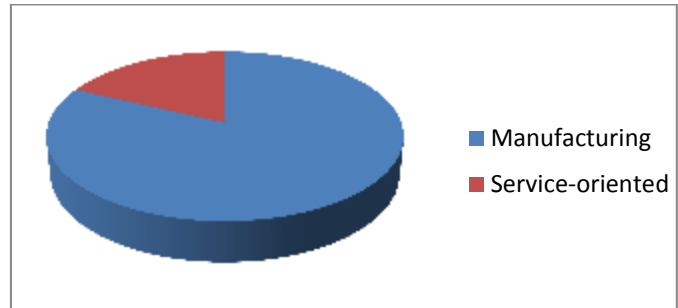
Location of Enterprise	Frequency	Percentage
Rural	2	4
Urban	38	76
Semi-urban	10	20
Total	50	100



Source: Primary Data

Table 7 Nature of the Business

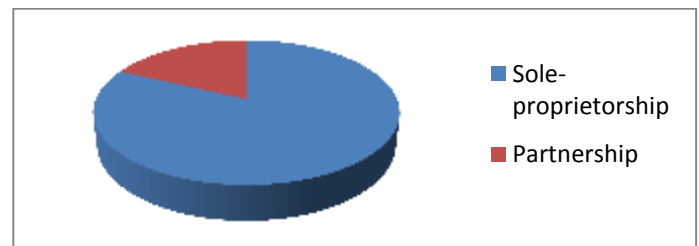
Nature of Business	Frequency	Percentage
Manufacturing	41	82
Service-oriented	9	18
Total	50	100



Source: Primary Data

Table 8 Ownership Type of Respondents

Ownership Type	Frequency	Percentage
Sole-proprietorship	41	82
Partnership	9	18
Total	50	100



Source: Primary Data

Demographics of the Respondents

It has been revealed that most of the entrepreneurs were male (92 per cent) and found to be in the middle-aged group (54 per cent), having educational qualifications up to Post-Graduation (34 per cent), and were married (80 per cent). Furthermore, the study reveals that the majorities of the respondents were engaged in manufacturing processes (82 per cent), had set up their enterprises in urban areas (76 per cent), and were in sole proprietorship (82 per cent).

Table 9

Descriptive Statistics

	N	Mean
Starting a business is difficult.	50	3.12
Number of procedures and formalities has increased for starting a business.	50	3.12
Unavailability of credit at reasonable rates of interest.	50	3.56
Difficulty in obtaining land and building.	50	3.82
It is difficult to get an electricity connection.	50	3.36
Getting new water and sewerage connection is difficult.	50	3.38

Payment of Taxes has become difficult.	50	2.82
Lack of raw material, skilled labour, etc.	50	3.72
Lack of Infrastructural facilities.	50	3.66
Easy availability of Information regarding all the procedures and clearances.	50	3.62
Payment of Bribes and Lack of transparency throughout the business processes.	50	4.02
Valid N (listwise)	50	

Most of the entrepreneurs firmly admitted that corrupt practices, including bribes are a common problem faced during different phases of business (4.02), as table 3 shows. The majority of respondents acquiesce that they faced difficulty in obtaining land and building (3.82), and in getting essential services like electricity, water, or sewerage connections (3.38); starting a business is difficult since it involves large numbers of formalities and procedures to comply with (3.12); problems of easy availability of labour or raw material (3.72); and contrary to that the tax reforms have been welcomed since they have brought transparency and easy accessibility in the system (2.82).

Hypotheses

- **H₀₁**: There exists no significant difference in the problems faced by the respondents with regard to ‘Setting up of a Business.’
- **H₀₂**: There exists no significant difference in the problems faced by the respondents with regard to ‘Accessing basic facilities for doing business.’
- **H₀₃**: There exists no significant difference in the problems faced by the respondents with regard to ‘Payment of Taxes.’

Results and Discussions

Table 10

Factors Extracted through PCA

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	4.448	44.484	44.484	4.448	44.484	44.484	3.107	31.066	31.066
2	1.737	17.374	61.858	1.737	17.374	61.858	2.956	29.558	60.624
3	1.043	10.430	72.289	1.043	10.430	72.289	1.166	11.665	72.289

As revealed in table 1, with the help of eigen values extracted through SPSS, three components give a cumulative per cent of 72.289, implying that these components explain 72.289 per cent of the total variation.

Table 11

Rotated Component Matrix

Sr No.		Factor Loadings	Communalities
I.	Setting up of a Business		
1.	Starting a business is difficult.	.828	0.704
2.	Number of procedures and formalities has increased for starting a business.	.713	0.586
3.	Unavailability of credit at reasonable rates of interest.	.821	0.493
4.	Difficulty in obtaining land and building.	.724	0.598
II.	Accessing Basic Facilities		
5.	It is difficult to get an electricity connection.	.792	0.812
6.	Getting new water and sewerage connection is difficult.	.896	0.824
7.	Lack of raw material, skilled labour, etc.	.963	0.964
8.	Lack of Infrastructural facilities.	.969	0.968
III.	Payment of Taxes		
9.	Payment of Taxes has become difficult.	.890	0.901
10.	Lack of availability of Information regarding all the procedures and clearances.	.876	0.381
11.	Payment of Bribes and Lack of transparency throughout the business processes.	.766	0.704
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. ^a			
a. Rotation converged in 5 iterations.			

Table 2 portrays the fundamental results of Factor Analysis, which specifically entails the factor loadings of the different items. Factor Loadings refers to the values depicting the relationship between the factor and the variables. Factor Loadings of value more than ± 0.50 are considered appropriate, Hair, et. al. (2009) and since all the items are depicting values more than the criteria all are accepted. Communalities are the fraction of each items variance explained by the factors retained. As depicted in the above table, the value of communalities for all the items are more than the acceptable criteria of ± 0.50 and hence all are considered for further analysis. On the basis of these three grouped components derived using Principal Component Analysis, three hypotheses will be generated and will be tested using suitable non-parametric tests shown as follows:

Table 12

Hypothesis Testing Summary

Grouping Variable	Test	fac_1	fac_2	fac_3
Age	Kruskall-Walis Test (Sig. value)	.638	0.542	0.478

Gender	Mann-Whitney U test (Sig. value)	0.457	0.823	0.717
Area of Residence	Mann-Whitney U test (Sig. value)	0.754	0.754	0.864
Educational Qualification	Kruskall-Walis Test (Sig. value)	0.509	0.023	0.269
Marital Status	Mann-Whitney U test (Sig. value)	0.558	0.802	0.083
Location of Enterprise	Kruskall-Walis Test (Sig. value)	0.972	0.949	0.964
Nature of Business	Mann-Whitney U test (Sig. value)	0.534	0.804	0.220
Nature of Ownership	Mann-Whitney U test (Sig. value)	0.440	0.383	0.655

- At a 5% level of significance, the Kruskal-Walis Test turns out to be insignificant in the context of all three factors, i.e., ‘Setting up a Business,’ ‘Accessing basic facilities for doing business,’ ‘Payment of Taxes’ based on Age of the respondents.
- Similarly, the Mann-Whitney U test also turns out to be insignificant, implying no significant difference among the respondents regarding the three factors based on the Gender of the respondents and area of residence.
- Also, there is no significant difference among the respondents regarding factors 1 and 3. However, there is a considerable difference regarding the factor, ‘Accessing basic facilities for doing business based on the educational qualification.
- All the other statements based on the Marital Status, Location of the enterprise, nature of business, and nature of ownership turn out to be insignificant concerning all the three components, i.e., ‘Setting up a Business,’ ‘Accessing basic facilities for doing business,’ ‘Payment of Taxes.’

Conclusion

Since the business regulatory reforms are changing frequently within the country and globally and have also been used as a benchmark for the policymakers, the problems faced by the entrepreneurs is receiving renewed interest. The study exposes the issues faced by micro-enterprise entrepreneurs from a comprehensive perspective, covering different aspects of doing business. The research substantiated that entrepreneurs of the Rohtak region of Haryana are facing numerous problems while doing business. Most of the respondents acquiesce that even after introducing several reforms specifically for establishing a business, such as the *Online Single Window Facility*, starting a business is still difficult. Even though the administration guarantees the overwhelming majority of credit plans sent off, particularly for entrepreneurs, they have plainly expressed that they are not furnished with the same.

Additionally, the respondents are experiencing troubles even in accessing the basic amenities in the areas like *Obtaining land and building, Getting Electricity, Water, Sewage, Raw material, etc.* On the other hand, entrepreneurs seem to be satisfied with the reforms in the area of *Paying Taxes*. In any case, over every one of these, the issue with which practically every one of the entrepreneurs confronted with was *Paying Bribes*. Respondents have admitted that although arranging finance is difficult they manage it somehow. The concerned government should focus

on removing the red-tapism from the administration so that getting approvals for different requisites becomes easier. The study results are in line with some of the earlier studies, which stated that entrepreneurs face several difficulties while doing business and the business environment is still not conducive (Saikia & Hazarika, 2018; Siddiqui, 2015; Deb, 2014). The research unequivocally shows that there are several significant areas where the government should focus on making it convenient for entrepreneurs to do business.

Managerial Implications

The sample firms used in the study are the Micro-enterprises which are a part of the MSME sector, considered to be highly vibrant sector but volatile as well. The study clearly shows that the entrepreneurs of these enterprises are struggling to do business. Hence it is recommended that the GOI, keeping in mind the contribution of the sector, should focus on making the business regulatory environment more conducive and easy for them by specifically focusing on some of the crucial areas like Starting a Business, Obtaining land and building, Getting Electricity, Water, Sewage and Paying Bribes.

Limitations & Further Research

The research is limited only to a limited area, i.e., the Rohtak region of Haryana. Also, only limited aspects of doing business were taken and hence other elements may be further studied to explore the area intensely. Also, it would be very interesting to replicate the study in the context of some other areas or by comparing the business environments of two or more areas.

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Appendices

Appendix 1

Reliability Statistics

Cronbach's Alpha	N of Items
0.857	11

Appendix 2

KMO & Barlett Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.755
Bartlett test of Sphericity	Approx. Chi-square	343.626
	df	45
	Sig.	0.000

Appendix 3

Communalities

	Initial	Extraction
Starting a business is difficult.	1.000	.704
Unavailability of Credit at reasonable rates of Interests.	1.000	.586
Difficulty in obtaining land and building.	1.000	.493
It is difficult to get an electricity connection.	1.000	.598
Getting a new water and sewerage connection is difficult.	1.000	.812
Payment of Taxes has become difficult.	1.000	.824
Lack of raw material, skilled labour, etc.	1.000	.901
Lack of Infrastructural facilities.	1.000	.964
Lack of availability of Information regarding all the procedures and clearances.	1.000	.968

Appendix 4

Component Matrix

Factor Loadings

Components			
	1	2	3
Starting a business is difficult.	.688	.448	-.172
Unavailability of Credit at reasonable rates of Interests.	.535	.537	.107
Difficulty in obtaining land and building.	.596	.343	.144
It is difficult to get an electricity connection.	.687	.271	-.230
Getting a new water and sewerage connection is difficult.	.794		-.426
Payment of Taxes has become difficult.		.481	.769
Lack of raw material, skilled labour, etc.	.833	-.447	
Lack of Infrastructural facilities.	.803	-.501	.262
Lack of availability of Information regarding all the procedures and clearances.	.792	-.511	.282
Payment of Bribes and lack of transparency throughout the business processes.	.517	.335	
Extraction Method: Principal Component Analysis.			
a 3 components extracted.			