

## MOTIVATIONAL FACTORS TO START SMALL SCALE BUSINESS IN KANYAKUMARI DISTRICT

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### ABSTRACT

Small scale Enterprises has emerged as a highly vibrant and dynamic sector of the Indian economy over the last few decades. In developing countries like India, these industries have an enormous importance due to its high level employment potential with low capital cost. MSMEs are also supporting in industrialization of rural backward areas. This sector is also called the nursery of entrepreneurship. However these enterprises are facing different hurdles in overall growth and development like poor infrastructure, shortage of electricity, political instability and financial problems. This paper will draw attention towards Growth, and Issues related to Small scale business in Kanyakumari district.

**Keywords:** small scale business, performance, employment, issues.

### INTRODUCTION

Industrialization is a key to economic development of a country. Small scale enterprises have played an imperative role in the economic activities of highly developed industrialized countries like Japan, Germany, Great Britain and the United States of America. In developing economy like India, where agriculture is main source of livelihood, poverty and unemployment is prevailing all over. In order to eradicate poverty and unemployment, manufacturing sectors has to develop obligatory. Both in developed and developing countries, Small scale industries have been documented as noteworthy contributors in satisfying various socio-economic objectives such as higher growth of employment, promotion of exports and fostering entrepreneurship. These enterprises are nursery for entrepreneurship and seedbed for future growth. MSMEs sector is a key pillar of an Indian economy.

**Definition of small scale business**

Small scale industries varies from country to country or varies in same country from time to time. In India, new classification of small scale industries was done on the basis of investment. According to latest definition of small scale industries by MSME Development Act, 2006 under the section of 7, small scale industries are divided into three enterprises; according investment like Micro, Small and Medium enterprises. The new nomenclature of small scale industries is given below (Table 1).

**Table 1: New Nomenclature of Small Scale Industries under MSMED Act 2006**

Classification	Manufacturing Enterprises (Investment Limit in Plant and Machinery )	Service Enterprises (Investment Limit in Plant and Machinery)
Micro	< ₹ 25 lakh	< ₹ 10 lakh
Small	> ₹ 25 lakh but < ₹ 5 crore	> ₹ 10 lakh but < ₹ 2 crore
Medium	> ₹ 5 crore but < ₹ 10 crore	> ₹ 2 crore but < ₹ 5 crore

Source: Ministry of Micro, Small and Medium Enterprises.

Though small scale industries in India have made significant contribution to its economic development, they have not yet realized their full potential. They face many problems in their functioning and many of them are sick. The main problems ahead of them are related to finance, government policies, production, labour related problems and market problem. This study highlights the problems faced by the small scale business in kanyakumari district.

**Objectives**

- To examine the growth and employment of small scale business in Kanyakumari.
- To find out the issues of small scale business in Kanyakumari.

**Research Methodology**

This study is based on both primary and secondary data. Primary data were collected from the respondents through a well-structured questionnaire. Secondary data were collected from published sources like journals, books and websites.

The researcher collected data from 115 respondents who are the small scale entrepreneurs of the study area through random sampling method. The data collected was tabulated and analyzed with the help of percentage analyses, and trend value.

### Review of literature

**Desti Kannaiah and Sasikumar (2014)** in their study, "Quality of work life of Employees in Small Scale Industries with Special Reference to Tiruvannamalai Town, Tamil Nadu State, India", highlights some of the gaps in employee's satisfaction towards the SSI units. It also helps us to know how the workers are treated by the management and also helps the workers to address their grievances. As a whole of the study on Quality of Work Life helps for development of Human Resources, since employees are the backbones of the company. So the company should satisfy them in order to improve the business in the higher global competitive market of the liberalized economy.

**Ekpenyong (2005)** in his study, "Problems of Small Business and why they fail", showed that very little financial supports have been provided by the traditional financial institutions to the SMEs. The reasons are that small businesses have serious inherent structural defects that make them high risk borrowers, and the traditional banks are not structured to cater for the type of credit demanded by the small businesses owing to the nature of their credit assessment procedures. The semi-formal financial institutions defined in this study as the cooperatives and trade associations have been able to meet the credit needs of small businesses in small scale.

In the study conducted by, **Hanna Mizgajska (2007)**, it is confirmed that education and professional experience of entrepreneurs were decisive in prioritizing by them the external and internal factors which impacted the decision of setting up a company. The study showed that a significant factor influencing company growth and company performance was training programmes.

The study of **Pooja Nayyar, Avinash Sharma, Jatinder Kishtwaria, Aruna Rana and Neena Vyasti (2007)**, suggested that Poor location of unit, tough competition from larger and established units, and lack of transport facility, lack of rest and sleep and non-availability of raw material were the significant problems faced by entrepreneurs. The factors causable to these problems were; difficulty in affording own vehicle, not being popular, heavy schedule of work and long working hours.

**Mukesh Gulati (2008)** in his study, "Managing Small Enterprise Development", observed that though the Small Scale Industry remained high on the policy agenda, it faces several challenges, due to technology, obsolescence, product, quality, information deficiency and inadequate management systems in several subsectors of the industry. Most of these enterprises complete only on the basis of low cost of labour and not through improvement on their products, technologies and skills. He suggested that the need to achieve competitiveness at global level has become a matter of primary concern.

### Small scale business in Kanyakumari District

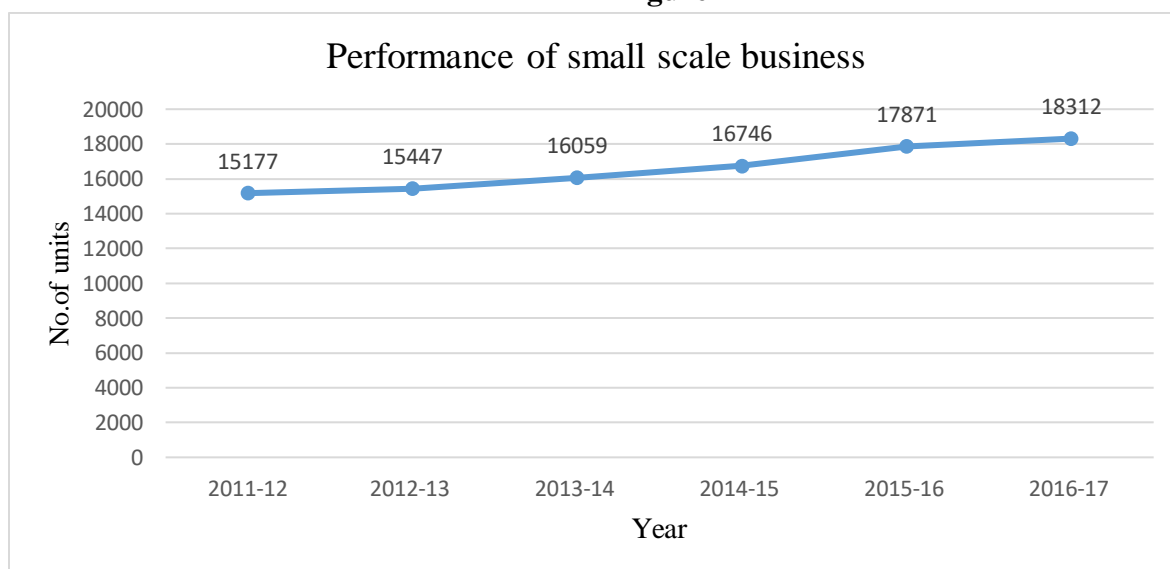
Nowadays, Kanyakumari district is one of the industrially growing districts of the Tamil Nadu state. Of the total number of 896519 SSI units in Tamil Nadu, there were 18312 registered SSI units (2.04 per cent) in Kanyakumari district as on March 31 2017. The registered units mainly related to Cashew nut, Fish net, Coir, Posters, Power Looms, Rice Mills Saw-Mills, Cattle feed, Poultry Feed, Brick Kilns, Workshops and like.

**Table: 2 Performance of Small Scale Industry in Kanyakumari district**

Sl.No	Year	No of units	Raise/ Diminish	% Raise/ Diminish	Trend Value
1	2011-12	15177	233	1.5352	15328.67
2	2012-13	15447	270	1.7479	15826.24
3	2013-14	16059	612	3.8190	16323.81
4	2014-15	16746	687	4.1025	16821.38
5	2015-16	17871	1125	6.2951	17318.95
6	2016-17	18312	441	2.4082	17816.52

Source: DIC Kanyakumari district

**Figure -1**



The figure 1 reveals that the trend and growth in number of small scale industries in Kanyakumari district has been increased from 15177 SSI in 2011-2012 to 18312 SSI in 2016-17, which is a positive character for the growth of SSI units.

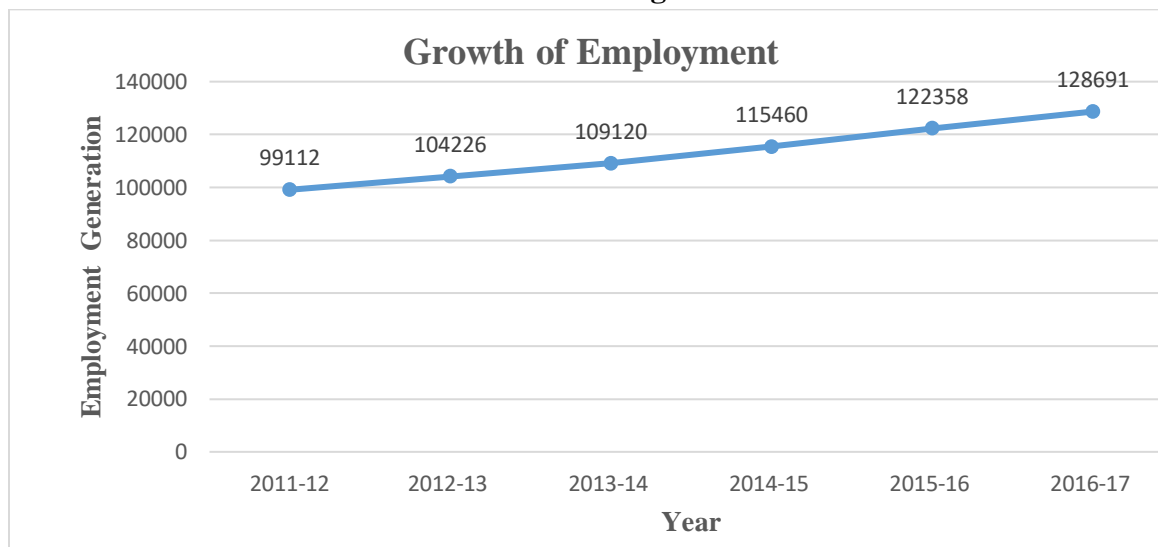
Table-3

## Growth of Employment in Kanyakumari District

Sl.No	Year	Employment Generation	Raise/ Diminish	% Raise/ Diminish	Trend Value
1	2011-12	99112	7899	7.9698	100795.26
2	2012-13	104226	5114	4.9066	105381.09
3	2013-14	109120	4894	4.4850	109966.92
4	2014-15	115460	6340	5.4912	114552.75
5	2015-16	122358	6898	5.6376	119138.58
6	2016-17	128691	6333	4.9211	123724.41

Source: DIC Kanyakumari district

Figure-2



The figure 2 explains the trends and growth of employment in the percentage growth of SSI in Kanyakumari district has been increased from 99112 in 2011-2012 to 128691 in 2016-17, which is a positive growth of employment generation of SSI units in Kanyakumari district.

### ISSUES RELATED TO SMALL SCALE BUSINESS

In spite of expedient contribution by the SSIs towards the Indian economy, SSIs does not get the indispensable support from the concerned Government departments, financial institutions, Banks, credit societies and corporate thus the SSIs are becoming handicap in the face of competition at national and international markets. The major issues faced by the SSIs are discussed below:

1. **Scanty credit assistance:** Scanty and timely supply of credit is one of the major problems faced by SSIs in India. Scarcity of finance and weak creditworthiness is the main barrier for the development of SSIs in India. The creditworthiness of these small borrowers is generally weak

and therefore they face unwilling creditors who may be persuading to lend only at high rate of interest.

**2. Uneven and poor quality of raw material:** SSI units face extreme problems in procurement of raw materials whether from local or international market. The problems arise due to absence of sufficient quantity of raw materials, poor quality of raw material at exorbitant price. The entrepreneur of SSI units has lack of knowledge about the procurement from foreign market. Large scale industries enjoy economies of large scale operation hence can procure the quality raw material at very reasonable price, thus can sell the products at cheaper price as compared to SSIs.

**3. Absence of organised marketing process:** SSI units do not have any organised marketing process and even does not appoint any marketing organisation for marketing of products or services and hence their products compare unfavorably with the quality of the products of large scale industries. They suffer competitive disadvantages in comparison to large scale industries, as large scale industries infuse large amount of money on branding and promotion activities.

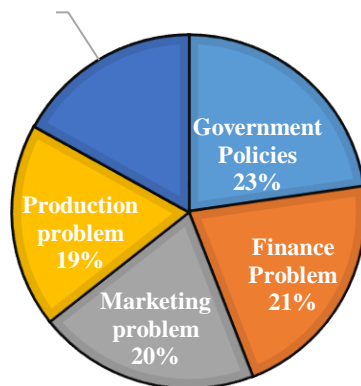
**4. Inadequate infrastructure:** Inadequate infrastructure is a major problem for the SSI units to grow and prosper. Most of the SSI units are located in semi-urban, urban and rural areas where the power supply is inadequate to run big machines, several times power cut off, and poor road connectivity. Thus absence of adequate infrastructure adversely affects the productive schedule of the enterprise leading to under-utilization of capacity. More over the machineries, equipment and technology employed by the SSIs are out dated, where the large scale organisation enjoys the competitive advantages. But the trend is gradually changing and in order to analyse the issues faced by the SSI. In Kanyakumari district, the researcher identified five problems, and opinion of the sample small scale entrepreneur respondents are rated on 5 point Likert Scale.

It is understood from figure no 3, the most important hurdle before a small scale business is Government policy (3.98) and the second most important problem is Finance (3.74). It is clear that to become a small scale business, the government policy is the main hurdle.

### Figure-3

**PROBLEMS FACED BY SMALL SCALE BUSINESS**

■ Government Policies    ■ Finance Problem    ■ Marketing problem  
 ■ Production problem    ■ Labour related problem

**CONCLUSION**

Micro, small and medium enterprises have emerged as the engine of economic growth and equitable distribution of national income. Kanyakumari district is attempting diligently to create investment atmosphere, due to political instability all is fruitless. There is a need to eradicate all the stumbling blocks coming in the way of industrial development in the state like poor infrastructure, poor marketing connectivity, political instability, Scanty credit assistance and lack proper entrepreneurs training institutes. Small scale industrial sector of the state have an incredible potential of feeding thousands of unemployed educated youths in state, if developed properly. And there are solutions for almost every problem but it does not mean that entrepreneurs will never face any problem by knowing the solutions for every problem. Finance is the major problem faced by many of the entrepreneurs while starting their entrepreneurial venture.

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