



---

## **The influence of external problems on micro and small entrepreneurs in India**

**Dr. P Manivannan<sup>1</sup>, R Elayaraja<sup>2</sup>, Dr. A Gokulakrishnan<sup>3</sup>**

<sup>1-3</sup> Assistant Professor, Department of Commerce, Assistant Professor, Department of Management, Hindustan College of Arts and Science, Padur, Chennai, Tamil Nadu, India

---

### **Abstract**

The challenges facing by micro and small entrepreneurs in India are varied and numerous; poor financial support, inadequate economic infrastructure, and lack of policy integration, and lack business support. Given the small number of indigenous Indian small firms compared to firms from other parts of the world, education and training support for entrepreneurs of micro and small entrepreneurs will help establish a good foundation for firm growth. This paper analysed the micro and small entrepreneur's problem in their day to day business activities. Social problem scale has been developed by the researcher. 376 micro and small entrepreneurs are considered as a sample size for the study. Descriptive statistics, Friedman's multiple comparison test and multiple regression analysis are used to describe the sample. It is found that Social problem significantly negatively influence the entrepreneurs business. It is found that Frequent incident of violence negatively impact on their business.

**Keywords:** micro small, medium entrepreneurs, external problem, online impact, tax issues

---

### **Introduction**

Micro and small scale enterprises do not enjoy much of the advantages enjoyed by large scale enterprises because of their nature and size. Though they have made a significant contribution to economic development, they have not realized their full potential. They face many problems in their functioning and many micro and small entrepreneurs are sick. An entrepreneur is someone who exercises initiative by organizing a venture to take benefit of an opportunity and, as the decision maker, decides what, how, and how much of a good or service will be produced. An entrepreneur supplies risk capital as a risk taker, and monitors and controls the business activities. The entrepreneur is usually a sole proprietor, a partner, or the one who owns the majority of shares in an incorporated venture. Adam Smith's definition "The entrepreneur is an individual, who forms an organization for commercial purpose. She/he is proprietary capitalist, a supplier of capital and at the same time a manager who intervenes between the labour and the consumer". "Entrepreneur is an employer, master, merchant but explicitly considered as acapitalist". Peter F. Drucker's (1985) An entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or different service". The growth and success of entrepreneurship, which denotes a merger of ideas, initiatives and opportunities depends, upon the facilitating and encouraging environment. The success of entrepreneurial endeavours has a significant impact on the economy of any country. It helps in fulfilling individual aspirations and achieving objectives like financial gains, self-fulfillment and social identification.

We, at India, are living in an epoch of entrepreneurial development, where the entrepreneurship is being promoted by education Institutions, government, society and other corporate bodies. The entrepreneurship development scenario in India has

intensified in recent times, particularly with the rise in knowledge-intensive services. The number of budding young entrepreneurs, who do not have prior entrepreneurial experience, has been rising constantly. Easy access to finance and other institutional support to 'techno-pruners' have helped improve the climate for entrepreneurship in India. In the Indian context, the more entrepreneurial developmental activities are confined to Micro, Small and Medium Enterprises (MSME) sector, which is often termed as the 'engine of growth'. It is considered as the most dynamic and vibrant sector of Indian economy as it provides large number of employment to rural as well as urban segment. The MSME sector, which is growing exponentially, contributes 37.54 percent to National GDP, 45 percent to total industrial production and 40 percent to total exports. Micro-entrepreneur is the new denomination for auto-entrepreneur as of December, 19, 2014. This status, defined by the law on modernisation of the economy dated August 2008, applies to natural persons who set up, or already possess, a sole proprietorship, for the purpose of exercising a commercial or artisanal activity or one of the professions (with the exception of certain activities), as a main or complementary activity. The sole proprietorship should fulfil the conditions of the micro-enterprise fiscal category. This status offers less demanding regulations for starting up the business, as well as a simplified method for calculating and paying social security contributions and income tax. Since December 19, 2014, new provisions defined by the Pinel law of 18 June 2014 apply to self-managed enterprises. Micro-entrepreneurs benefit from a simplified social scheme, a simplified tax scheme, a temporary exemption from corporate property tax and an exemption or excess from VAT, as a result of their activity. A micro and small enterprise is a small business that employs a small number of employees. A microenterprise will usually operate with fewer than 10 people and is started with a small amount of capital. Most

microenterprises specialize in providing goods or services for their local areas. In the another way of entrepreneurs in the current scenario, they have faced various problem like financial problem, labour problem and marketing problem Vetrivel (2017)<sup>[11]</sup>. This paper deals with one of the external problem of the social problem of micro and small entrepreneurs such as frequent violence incidents, impact of online shopping, interruption of government officials, non-collection of outstanding bills and tax issues. These factors are identified as external problems of social problem on micro and small entrepreneurs in their day to day business activities.

**Research Methodology**

The aim of this paper is to analyse the impact of social problems faced by the micro and small entrepreneurs. An entrepreneur

opinion is described in this study so it is comes under descriptive in nature. Social problem scale has been developed by the researcher. There are 5 statements are considered for analyzing the social problems of the micro and small entrepreneurs in the study. It is measured with five point scale where 5 stands for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree. The samples of micro and small entrepreneurs are chosen from Trichy city, Tamilnadu. Totally 430 micro and small entrepreneurs were approached. Finally 342 micro and small entrepreneurs are considered as a sample size for the study. Descriptive statistics, Friedman’s multiple comparison test and Multiple regression analysis are used to describe the sample, to show that which are the statements those highly influenced and measure the linear association between the dependent and independent variable.

**Table 1:** Entrepreneurs opinion towards social problems of business

Social problems	Mean	S.D	Mean Rank	Chi square value	P-value	Multiple comparison test
Frequent incidents of violence	3.37	1.429	3.06	12.083	0.001*	3,1,2,4,5
Impact of online shopping	3.38	1.494	3.04			
Interruption of government officials	3.33	1.550	3.07			
Non collection of outstanding bills	3.26	1.459	3.00			
Taxing issues	3.14	1.517	2.83			

Source: Primary data computed; \* Significant @ 1% level.

The social problems of micro and small entrepreneurs are grouped under five statements such as frequent incidents of violence, impact of online shopping, interruption of government officials, non-collection of outstanding bills and taxing issues. These five statement are asked to the respondents to rate their opinion towards these problems the result displayed in the table-1. The mean value is ranged from 3.14 to 3.38. Based on the mean value it is inferred that the respondents have opinioned about social problem is at average level. The corresponding standard deviation values indicate that there is no much deviation within the group of retailers. H<sub>0</sub>: Opinion about social problem is found to be similar among all the respondents. In order to test the above

stated hypothesis Friedman multiple comparison test is applied. The Friedman mean rank lies between 2.83 to 3.07 and chi square value is 12.083 which is significant at one percent level. Hence the stated hypothesis is rejected. Totally 5 statements are the contributing the highest contributing factor to the social problem. friedman multiple comparison test is applied. After applying the test 5 statements are grouped in to 2 categories. Interruption of government officials, frequent incidents of violence, impact of online shopping and non-collection of outstanding bills takes place the first position and taxing issues alone occupies the last position.

**Table 2:** Effect of social problem towards micro and small entrepreneurs

R	R Square	Adjusted R Square	F-value	P-value.	
0.524	0.350	0.341	5.539	0.001*	
Social problems	B	Std. Error	Beta value	t-value	P-value
(Constant)	4.843	0.159	-	30.454	0.001*
Frequent incidents of violence	-0.235	0.068	-0.261	-3.468	0.001*
Impact of online shopping	-0.028	0.055	-0.033	-0.521	0.602 (NS)
Interruption of government officials	0.033	0.057	0.040	0.584	0.560 (NS)
Non collection of outstanding bills	0.006	0.063	0.007	0.100	0.920 (NS)
Taxing issues	0.046	0.056	0.055	0.828	0.408 (NS)

Source: Primary data computed; \* Significant @ 1% level; NS: Non significant H<sub>0</sub>: Social problems do not have influence on challenges

To verify above stated hypothesis multiple regressions is carried out. The purpose of regression analysis is to find the most predictors social problems on entrepreneurs. The result is displayed in table-2. From the R square value, it is inferred that social problems influence entrepreneurs by 0.350. The measure of strength of association in the regression analysis is given by the co-efficient of regression determination denoted by R-square as 0.350 and R-value as 0.524. The F-value is 5.539 and P-value

is 0.001 which is significant at one percent level and ascertain that there is significant relationship between dependent and independent variable. So, the hypothesis is rejected. Further, R-square value indicates that the independent variables influence at 35.0 percent on the dependent variable. The standardized co-efficient beta value indicates the relative importance of the predictors on challenges. It is inferred that social problem are significantly influencing the entrepreneurs business. The

Corresponding p-value of these variables is significant at one percent. So, these variables significantly influence on entrepreneurs. Problems are expressed by the following equation. Social Problems = Constant (4.843) - 0.235 (Frequent incident of violence) the equation is displayed that frequent incident of violence has negative influence in entrepreneurs. To have one unit increase in problems, frequent incident of violence decreased by 0.235 where the other factors remains constant. It is found that frequent incident of violence has negative impact in entrepreneurs business.

### Conclusion

The external problem of Social problem significantly negatively influences the entrepreneurs business. It is found that Frequent incident of violence negatively impact on their business. this study suggested and recommend to the micro and small entrepreneurs have to improve or to enrich online and technology experiences. And also have to stay alert, try to upgrade and have to improve on service quality while concentrating on innovation and efficiency. The medium and large scale entrepreneurs have a better advantage because of the image, product availability and price discounts. It was found that when compared to the micro and small entrepreneur's format most of the large entrepreneurs had a good share in market, but due to factors such as space, parking etc. a gap existed between both the formats. The customers wish for more outlets to be opened.

### References

1. Alvarez Sharon A, Busenitz Lowell W. "The Entrepreneurship of Resource-Based Theory. *Journal of Management*. 2003; 3:285-308.
2. Carree MA, Thurik R. 'The impact of entrepreneurship on economic growth', in ZJ Acs & DB Audretsch (eds), *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction*, Spring, New York, 2003.
3. Cliff JE, Jennings PD Greenwood R. 'New to the game and questioning the rules: the experiences and beliefs of founders who start imitative versus innovative firms', *Journal of Business Venturing*. 2006; 21:633-663.
4. Davidsson P. *Researching Entrepreneurship*, Springer, New York, 2004.
5. Drucker P F. *Innovation and entrepreneurship*. New York: Harper & Row, 1985.
6. Drucker P F. *Management challenges for the 21st century*. New York: Harper Collins, 1999.
7. Glade WP. Approaches to a Theory of Entrepreneurial Formation." *Explorations in Entrepreneurial History*, 1967: 3:245-259.
8. Shane S, Venkataraman S. The promise of entrepreneurship as a field of research', *Academy of Management Review*. 2000; 25(1):217-226.
9. Vetrivel. A Study on Marketing Problems of unorganised retail shoppers", *International journal of multidisciplinary research review*. 2017; 1(31):1-5.
10. Vetrivel. Financial problems of unorganized retail sector", *International journal of applied research*. 2017; 3(12):161-164,
11. Vetrivel. A Study on Marketing Problems of unorganised retail shoppers", *International journal of multidisciplinary research review*, volume. 2017; 1(31):1-5.
12. Yoshino N F, Taghizadeh-Hesary F. An Analysis of Challenges faced by Japan's Economy and Abenomics. *Japanese Political Economy Journal*. 2015; 40:1-26. DOI: 10.1080/2329194X.2014.998591.
13. Yoshino N, Taghizadeh-Hesary F. Analysis of Credit Ratings for Small and Medium-sized Enterprises: Evidence from Asia. *Asian Development Review*. 2015; 32(2):18-37