

Problems Faced By MSMEs In Visakhapatnam District Of Andhra Pradesh State: A Rotated Factor Analysis.

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ABSTRACT:- Small businesses often face a variety of problems related to their size. A frequent cause of bankruptcy is undercapitalization. This is often a result of poor planning rather than economic conditions. MSMEs in India face number of problems – absence of adequate and timely banking finance, non – availability of suitable technology, ineffective marketing due to limited resources, non availability of skilled manpower, Raw Material and frequent power cuts which leads to production problem. Presently, the Indian MSMEs are facing different types of problems. Hence the main purpose of the study is to analyze five major problems faced by MSMEs in Visakhapatnam District of Andhra Pradesh state. The study is empirical in nature as it is based on data collected with the help of structured schedule. An Industrial area in the district was selected and almost all the industries in that area were covered which include both registered and unregistered enterprises.

Keywords: *Micro, Small, Medium Enterprises, Problems, Factor Analysis.*

I. INTRODUCTION

Enterprises are a source for generation of employment in large numbers. Such enterprises are being broadly classified into:

- i) Enterprises engaged in manufacture/production of goods pertaining to any industry and
- ii) Enterprises engaged in providing/rendering of services.

II. CLASSIFICATION OF MSME SECTORS:

Based on the original investment in plant and machinery with regard to Manufacture/production units & original investment in equipment with regard to Services units.

	Investment in Plant and Machinery/ Equipment (excluding land and Building)	
	Manufacturing Enterprises	Services Enterprises
Micro	Up to Rs. 25 lakhs	Up to Rs. 10 lakhs
Small	More than Rs.25 lakhs and up to Rs. 5 crore	More than Rs. 10 lakhs and up to Rs. 2 crore
Medium	More than Rs.5 crore and up to Rs. 10 crore.	More than Rs.2 crore and up to Rs. 5 crore

Small and large – scale enterprises are two legs of industrialization process of a country. Hence, small-scale enterprises are found in existence in every country. Small-scale enterprises have been given an important place in the framework of Indian planning since beginning both for economic and ideological reasons. Small-scale enterprises have now emerged as a dynamic and vibrant sector for the Indian economy in the recent years. Some of the major problems faced by these units are: Finance, Production, Marketing, Management and Pre-Commencement of business Problems.

III. REVIEW OF LITERATURE

Dr. Ashok Kumar Panigrahi of Shirpur (December 2012): In his paper he has mentioned about various issues and problems of MSMEs and emphasized on the Risks faced by MSMEs. He said that in the present scenario, where profits are derived mainly from trading in the market, one can no longer afford to avoid measuring risk and managing its implications thereof. It was said that to the extent of SME entity takes risk consciously, anticipates adverse change and hedges accordingly it becomes a source of competitive advantage as

it can offer its product at a better price than its competitors. He said that what can be measured can also be managed. It should be clearly understood that risk mitigation efforts are more important and vital than capital allocation against inadequate risk management system. Dr. K.K.Patra, C.Panigrahi, (March 2013), Need Based Funding to Micro, Small and Medium Enterprise Sectors: A Particle Approach: the paper highlighted the need based funding on Micro, Small and Medium enterprise sectors (MSMEs) with particular reference to manufacturing sectors in India. It was said that no country whether large or small, developed or developing, can underestimate the immense potential and contribution of small enterprises. Dr. Padmasani, S. Karthika (2013), A study on Problems and Prospects of Micro, Small and Medium Scale Enterprise in Textile Exports with special reference to Tirupur and Coimbatore District. This paper has examined the problems of MSMEs in the era of global economy and also has identified the factors affecting MSMEs. A study was also made on the socio-economic conditions of MSMEs. The survey revealed that the problems can be overcome if MSMEs get involved in standardization of the business process, and can also adopt latest technology to improve the productivity. It was said that banks can support the industry by providing the credit facilities at low interest rate and Government and Institutions relating to Small and Medium Scale industries should take effective measures to improve the export performance of MSMEs in order to develop economy. The study covered the districts of Tirupur and Coimbatore district. Jaskaran Singh and Davinder Singh (Jan. 2014). The study made an attempt to identify the problems related to finance of MSMEs. Based on the study the researcher concluded that the growth of the MSMEs sector at a healthy rate is crucial for overall growth of the industry. However, lack of proper financial facilities is the barrier of better performance. It is said that these sectors depend much of their initial capital on internal sources as they have accessibility problems in getting external debt or equity financing. Even if they are offered with debts, they will be charged with high rates of interest as smaller enterprises are perceived to be more risky and more likely to fail in repayment. The study has presented four key issues under financial management namely: shortage of own finance via bank loans, Government subsidies, relief in taxes etc.

Sangitha G Patel, Dr. P.T. Chadudhari, (April 2014) Problems of Small Scale Industries in India. This paper dealt with Problems of S.S.I in India such as Problem of skilled manpower, Inadequate credit assistance, Irregular supply of raw material, Absence of organized marketing, Lack of Machinery & equipment and Absence of adequate infrastructure, competition from large-scale units and imported articles. All these problems were discussed in general, but not relating to any particular State or Region. Nishanth P, Dr. Zakkariya K.A. (May 2014)), discussed about the problems faced by the MSMEs sectors in India due to certain constraints like absence of adequate and timely supply of bank finance, difficulties in procuring raw materials, marketing and distribution challenges and non availability of suitable technology. This study tried to identify the various barriers faced by these units in raising finance and also tried to identify the various sources of finance other than banks. The study was empirical in nature which collected data from 200 MSMEs in Kozhikode district of Kerala by using systematic random sampling methods. The study concluded that the growth and development of MSMEs can be ensured by initiating actions by government and banks for arranging the MSMEs to avail more credit by way of reducing the barriers perceived by the entrepreneurs. It also attempted to submit some recommendations to enhance the overall credit accessibility to MSMEs sector.

Dr. A.S. Shiralashetti (July – Aug. 2014), prospects & Problems of MSMEs in India. The researcher in his paper examined the growth and performance MSMEs and its contribution to GDP. The study also analyzed the problems faced by MSMEs located in Dharwad district of Karnataka State. Both primary and secondary data was used. The growth and performance of MSMEs was covered for a period from 2001-2010. The researcher concluded that in order to empower the MSME sector it is necessary to support these sectors, need to educate and empower them to make optimum utilization of resources, both human and economic in order to achieve success. It was said that these sectors need to be informed about the latest developments which are taking place globally and should be helped to acquire skills necessary to keep pace with the global developments.

Updesh Khinda, Gagandeep Kaur, Dr. Nacchattar Singh & Dr. H.S. Sandhu (April 2014), They made a study on the MSME Act, 2006 and its impact, problems & Challenges of MSMEs in India were high lightened. The Methodology adopted by them was secondary data and the study covered a period of 2001-02 and 2013-14. In the analysis they proved that MSMEs Sector have shown a tremendous improvement in terms of Employment, growth rate and productivity after the implementation of the Act. Hence it was inferred that MSMEs Act 2006, has a strong positive effect on Micro, Small and Medium Enterprises. This paper was concluded by saying that MSMEs face cut throat competition from all over the world in different product categories. To cope up with this government of India has made many efforts especially through MSME Act, 2006 to enhance the competitiveness, productivity and growth of MSMEs in India. It was said that Government of India has provided various facilities like Entrepreneurship Training, Marketing Access, credit facilities, protection, financial subsidies and concessions to MSMEs etc. In spite of all the measurements taken by Government it was concluded that skill MSMEs Sectors faces certain problems specifically related to poor supply of raw material rising cost of inputs, lack of adequate marketing facilities, obsolete technology, lack of

Entrepreneurship Education ignorance of government's policies and plans on the part of entrepreneur based on the above study, I felt a need to study whether MSMEs in Andhra Pradesh faces similar types of problems.

Dr. Mateen Ahmed Siddiqui (2015) explored the specific challenges which were encountered by the MSME sector. He analyzed the data collected with the help of structured questionnaire by using ANOVA tool to found that the major problems faced by MSMEs were in the form of marketing the products and shortage of working capital. The study reflected that excessive competition in the market, weak market demand, marketing of goods is the marketing variables affecting MSMEs. On the other hand, the shortage of working capital, high cost of borrowing, unavailability of credit, and difficulty of receiving amount from debtors are the key financial variables. The study also emphasized that availability of long term finance is not a bigger problem than arrangement of working capital is and secondly the repayments of financial liabilities are worrying and disappointing due to low paying capacity and insignificant sales.

IV. MATERIALS AND METHODS:

From the review it is found that Micro, Small and Medium Enterprises play a dominant role in Indian Economy. But there are various problems faced by these enterprises (Ashwini K, July – 2012) due to which the growth of the enterprises is affected (Dr. Padmasani, S. Karthika (2013), in turn affecting the growth of the country. Though there are various studies done on the problems, the researcher felt a gap in respect to the problems faced by MSMEs in Visakhapatnam district of Andhra Pradesh. Hence the researcher felt a need to study the problems faced by MSMEs. The present study focused on the analyses and interpretation of problems faced by MSMEs in Visakhapatnam district in five areas by using rotated factor analysis technique.

V. METHODOLOGY & HYPOTHESIS

Both primary and secondary data are used in the study. The study is empirical in nature as it is based on data collected with the help of schedule. The study focused the collection of data from one region in Andhra Pradesh. A simple random sampling technique was used and a highly industrial area was selected and almost all the industries in that area were covered. The data was collected from 150 enterprises, which is not less than many other conjoint studies, for example, in studies of small scale industries, with sample size 95 (B. Deevana Margaret April 1994), 100 (R. Sathru Sangara Velsamy, Dec. 2014) and 254 (Siddiq. I, June 2013). The sample covered micro, small and medium enterprises in that area, though there are registered or unregistered. The data collected was run through SPSS software and factor analysis was used to study the problems faced by these sectors in five different areas.

Ho: There is no significance difference between the problems faced by MSMEs in Visakhapatnam district.

H1: There is significance difference between the problems faced by MSMEs in Visakhapatnam district.

VI. A FACTOR ANALYSIS

Factor analysis is a technique which helps to reduce the number of variables and also to detect structure in the relationships between variables, that is to classify variables. Thus factor analysis is applied as a data reduction or structure detection method (the term factor analysis was first introduced by Thurstone, (1931). In order to test the validity of the data for factor analysis KMO (Kaiser Meyer Olkin) and Bartlett's test of Sphericity was conducted. This test is an indicator to know how well the sample data is suited for factor analysis. It is the ratio of the sum of the squared correlations for all variables in the analysis to the squared correlations of all variables plus the sum of the squared partial correlations for all variables. The denominator of this ratio increases with the variation that is unique to pairs of variables (partial correlations), making the value of KMO less than one. These measures suggest that values of 0.9 or higher are great and values below 0.5 are unacceptable. The use of KMO and Bartlett's test of sphericity is essential to measure sample adequacy for using factor analysis.

TABLE 1
KMO AND BARTLETT'S TEST

Kaiser Meyer Olkin	Measure of Sampling Adequacy	0.759
Bartlett's test of Sphericity	Approx. Chi-Square	135.806
	DF	10
	Sig	.000

The factor analysis is used to study the problems faced by MSMEs in Visakhapatnam district. These problems are studied in five areas.

1. Finance Problems
2. Production Problems
3. Marketing problems
4. Managerial problems
5. Pre – Commencement of business Problems

Finance problems contains 15 variables, Production problems contains 4 sub problems namely Raw Material, Power, labour and Technology. On the whole 17 variables are covered in all the four sub problems. 11 variables are covered in marketing problems, 5 variables are covered in managerial problems and 7 variables are covered in Pre-Commencement of business problems. Hence on the whole 55 variables are covered in five areas.

55 variables were run into SPSS software and the results showed only 33 variables. Which are as follows:

I FINANCE PROBLEMS:

1. Grant of loan (GL)
2. Documentation (D)
3. Security (S)
4. Maintain books of accounts (MBA)
5. Budgeting (B)
6. Payment of VAT (V)
7. Payment of CST (C)
8. Payment of Excise duty (ED)
9. Payment of Custom duty (CD)
10. Problem for claiming Input Tax Credit (ITC)
11. Factoring (F)
12. Allowing credit to customers (ACC)
13. Slow collection of debts (SCD)
14. Grant of subsidy (GS)
15. High discount allowed (HDA)

II PRODUCTION PROBLEMS:

(i) Raw Material:

1. Shortage of availability of Raw Material (SRM)
2. High cost of Raw Material (HRM)
3. Increase in ordering cost due to less quantity ordered (OC)
4. Import of Raw Material (IRM)
5. Problems in storage of Raw Material (STRM)

(ii) Power Problems:

1. Power cut (PC)
2. High cost of alternate power (diesel for generator) (AP)
3. Power holiday (PH)
4. High expenditure on power consumption (EPC)

(iii) Labour Problems;

1. High cost of skilled labour (HSL)
2. Non availability of skilled labour (NASL)
3. Frequent absenteeism of labour (FAL)
4. More idle time spent by labour (ITL)

(iv) Technology Problem:

1. Non Availability of Machinery (NAM)
2. Under utilization (UU)

III PRE- COMMENCEMENT OF BUSINESS PROBLEM:

1. Seeking permit from environment department (SPED)
2. Registration (R)
3. Tax related problems (TP)

**TABLE 2
COMMUNALITIES**

S.No.	Variables	Initial	Extraction
1	grant	1.000	.881
2	documen	1.000	.840
3	security	1.000	.852
4	books	1.000	.863
5	budget	1.000	.854
6	vat	1.000	.927
7	cst	1.000	.911
8	excise	1.000	.936
9	cusdut	1.000	.913
10	inputax	1.000	.847
11	facting	1.000	.727
12	cretoc	1.000	.845
13	slowdet	1.000	.753
14	subsidy	1.000	.730
15	highdis	1.000	.901
16	shorage	1.000	.845
17	highct	1.000	.669
18	ording	1.000	.843
19	imporm	1.000	.760
20	storarm	1.000	.682
21	powcut	1.000	.844
22	altertiv	1.000	.920
23	holiday	1.000	.934
24	highexp	1.000	.886
25	skilled	1.000	.785
26	nonaval	1.000	.914
27	absent	1.000	.877
28	iditime	1.000	.792
29	navimac	1.000	.701
30	under	1.000	.885
31	evirn	1.000	.852
32	registr	1.000	.816
33	tax	1.000	.693

Extraction Method: Principal Component Analysis Table 4.2 shows the communalities of 31 variables out of whose initial values are 1 and the extraction values are more than 0.5.

TABLE 3: TOTAL VARIANCE EXPLAINED

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.310	22.151	22.151	7.310	22.151	22.151	5.568	16.874	16.874
2	5.489	16.634	38.785	5.489	16.634	38.785	4.391	13.305	30.179
3	3.816	11.564	50.349	3.816	11.564	50.349	3.463	10.493	40.672
4	3.107	9.415	59.764	3.107	9.415	59.764	3.127	9.475	50.147
5	2.217	6.717	66.481	2.217	6.717	66.481	2.910	8.817	58.965
6	1.797	5.444	71.926	1.797	5.444	71.926	2.488	7.539	66.503
7	1.353	4.098	76.024	1.353	4.098	76.024	2.451	7.427	73.930
8	1.345	4.077	80.101	1.345	4.077	80.101	1.584	4.799	78.729
9	1.045	3.168	83.269	1.045	3.168	83.269	1.498	4.539	83.269
10	.999	3.027	86.295						
11	.758	2.298	88.593						

12	.717	2.172	90.765						
13	.548	1.661	92.426						
14	.463	1.404	93.830						
15	.361	1.095	94.925						
16	.326	.989	95.915						
17	.273	.827	96.741						
18	.256	.775	97.516						
19	.215	.651	98.168						
20	.145	.440	98.607						
21	.114	.346	98.953						
22	.091	.276	99.230						
23	.075	.228	99.458						
24	.053	.159	99.617						
25	.043	.130	99.747						
26	.026	.079	99.826						
27	.023	.069	99.895						
28	.015	.045	99.940						
29	.010	.029	99.969						
30	.007	.022	99.992						
31	.002	.007	99.999						
32	.000	.001	100.000						
33	6.717E-18	2.035E-17	100.000						

Extraction Method: Principal Component Analysis. Principal Component Analysis was used to extract the variables and out of 33 variable extracted only 9 variables have Initial Eigen values more than 1. The cumulative percentage of these variables is shown as 83.269.

TABLE 4 ROTATED FACTOR LOADINGS

S. No	VARIABLES	FACTOR									COMMUNALITY
		1	2	3	4	5	6	7	8	9	
1	grant	.252	.879	-.164	.074	-.029	-.032	-.081	.066	-.004	.881
2	document	.118	.811	.276	.203	.147	-.094	-.130	.058	.010	.840
3	security	-.120	-.039	.122	-.025	.170	-.883	-.037	.085	-.059	.852
4	books	.198	.754	.358	.203	-.198	.031	-.113	.002	.180	.863
5	budget	.529	.014	.383	-.078	-.435	.041	-.228	.184	.378	.854
6	vat	.938	-.060	.050	-.023	-.095	.096	-.105	-.093	-.053	.927
7	cst	.908	-.050	.079	.252	-.075	.057	-.061	-.035	-.012	.911
8	excise	.923	-.063	.130	.149	-.098	.042	.004	-.166	-.044	.936
9	cusdut	.891	-.109	.015	.017	-.175	.034	-.038	.264	.061	.913
10	inputax	.727	.121	.362	-.093	-.009	-.018	-.076	.396	.013	.847
11	facing	.384	.199	-.159	-.256	-.642	.007	.075	.176	-.019	.727
12	cretoc	-.323	-.124	.327	-.071	.023	.777	-.008	-.087	.043	.845
13	slowdet	.141	-.764	.242	.000	.137	-.097	-.111	-.114	.194	.753
14	subsidy	-.144	.761	-.190	.211	-.097	.040	.165	.084	-.070	.730
15	highdis	.308	.169	.238	.358	.042	.018	.134	-.752	-.082	.901
16	shorage	-.166	.239	-.202	.322	.781	.002	.045	.006	.060	.845
17	highct	.159	.287	.069	.078	.636	.191	.324	-.069	-.017	.669
18	ording	-.123	.282	.366	-.108	.732	.013	.253	.036	.039	.843
19	imporm	.157	-.279	.068	-.254	-.012	-.708	.183	.146	.179	.760
20	storarm	-.300	.373	.275	.044	.510	.054	.095	.193	-.256	.682
21	powcut	-.084	-.068	.817	-.067	.256	.174	.184	-.174	-.023	.844
22	altertiv	.266	.014	.867	.046	.224	-.008	.098	.183	.028	.920
23	holiday	-.110	-.087	.810	-.094	.433	.050	.227	-.086	-.010	.934
24	highexp	-.079	-.051	.669	-.078	.432	.478	.068	.060	.018	.886
25	skilled	.207	-.049	.193	.811	.114	-.024	.155	-.078	.043	.785
26	nonaval	.111	.126	-.017	.906	.171	.101	-.076	-.081	-.121	.914
27	absent	.155	-.031	.083	.866	-.022	.162	-.226	-.108	-.075	.877
28	iditime	-.089	.221	.403	.595	.161	-.039	.145	-.051	-.409	.792
29	navimac	-.011	.340	.136	-.118	.149	-.180	.669	-.079	.210	.701
30	under	.329	-.194	.084	.211	-.097	.059	-.285	-.154	-.755	.885
31	over	.078	.005	.300	.062	.092	-.040	-.857	.087	-.001	.852
32	registr	.399	-.075	.051	.046	-.108	.075	-.533	-.257	.529	.816
33	tax	-.254	.066	.119	.174	.106	-.132	.120	.683	.265	.693

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 10 iterations.

In order to reduce the number of factors and enhance the interpretability, the factors were rotated, since the rotation increases the quality of interpretation of the factors. Though there are various methods for rotation in order to obtain simple structure of the data, the varimax rotation is one such method which is used in order to obtain better result for interpretation which is shown in the above table 4. It shows that 9 factors were extracted. 0.50 factor loading was used as a cut-off point, therefore the surviving variables with factor loadings of 0.50 or higher are considered further for interpretation and naming. The interpretation and naming of factors implied that the remaining or surviving variables with high factor loadings and common conceptual meanings were grouped together to form a genuine independent factor.

TABLE 5: CLUSTERING OF VARIABLES INTO FACTORS

FACTOR	VARIABLES	ROTATED FACTOR LOADING
1	VAT	0.938
	CST	0.908
	Excise duty	0.923
	Custom duty	0.891
	Problem for claiming Input tax credit	0.727
2	Grant of subsidy	0.761
	Maintain books of accounts	0.754
	Grant of loan	0.879
	Documentation	0.811
3	Power cut	0.817
	Power holiday	0.810
	High expenditure on power consumption	0.669
	High cost of alternative power	0.867
4	more idle time spent by labour	0.595
	High cost of skilled labour	0.811
	Non – availability of skilled labour	0.905
	Frequent absenteeism of labour	0.866
5	Shortage of Raw Material	0.781
	Increase in ordering cost	0.732
	Problem in storage of Raw Material	0.510
	High cost of Raw Material	0.636
6	Allowing credit to customers	0.777
7	Non – availability of Machinery	0.669
8	Pre-commencement tax related problems	0.683
9	Registration	0.529

Table 5 shows the clustering of variables whose values are greater than 0.5 in order to group them into factors and name them as factor 1 to factor 9. As per table .3: factor 1 (**Finance Problems relating to Tax**) accounts for 22.15 percent of the total variance and is derived from five variables, namely: VAT (0.938), CST (0.908), excise duty (0.923), Custom Duty (0.891) and problem relating to input tax credit (0.727). All these variables refer to tax problems, hence of all the five problems studied by the researcher it is found from the analysis that MSMEs are facing tax problems. Factor 2: (**Finance Problems**) accounts to 16.348 percent of the total variance and is derived from four variables, namely; maintenance of books of accounts (0.754), grant of loan (0.879), Documentation (0.811) and allowing credit to customers (0.777). All the variables in factor 2, are problems relating to finance. Factor 3: (**Power Problems**) accounts to 11.564 percent of the total variance and is derived from four variables, namely: Power cut (0.817), Power holiday (0.810), High expenditure on power consumption (0.683) and High cost of alternative power (0.867). All the four variables are relating to Power problems. Factor 4: (**Labour Problems**) accounts to 9.415 percent of the total variance and is derived from four variables, namely: idle time spent by labour (0.595), high cost of skilled labour (0.811), Non-availability of skilled labour (0.905) and frequent absenteeism of labour (0.866). All the three variables are representing the Problems relating to labour. It shows that MSMEs are seriously facing Problems relating to labour. It ranked 3. Factor 5: (**Raw Material Problems**) accounts to 6.717 percent of the total variance and is derived from four variables, namely: shortage of Raw Material (0.781), Increase in ordering cost due to less quantity ordered

(0.732), Problem in storage of Raw Material (0.510) and High cost of Raw Material. All the four problems are relating to Raw Material problem. It shows that the MSMEs are not only facing problems relating to finance and Labour but also problem relating to Raw Material.

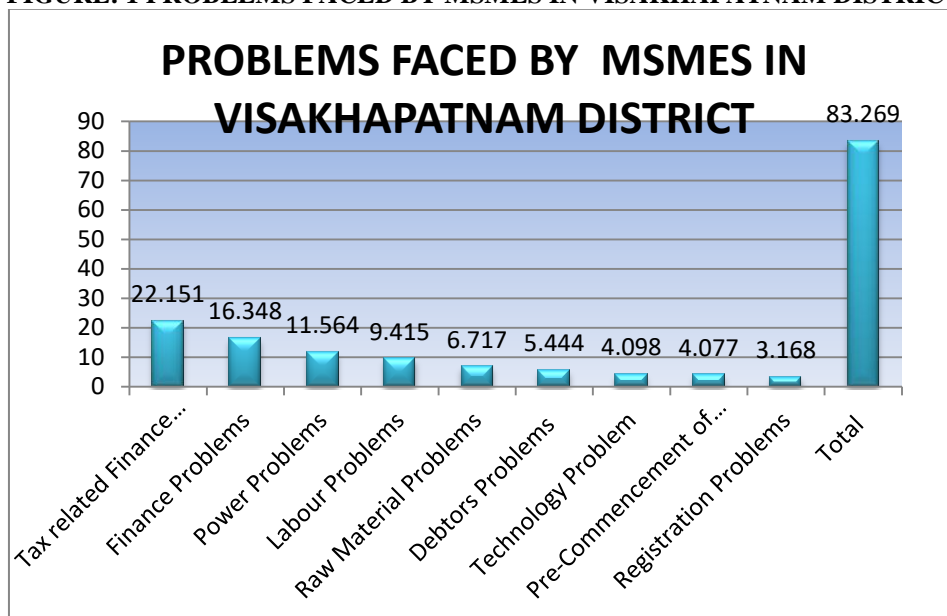
Factor 6: (**Debtors Problems**) accounts to 5.444 percent of the total variance and is derived from only one variable, namely allowing credit to customers (0.777). This variable represents the problem relating to Debtors.

Factor 7: (**Technology Problems**) accounts to 4.098 percent of the total variance and is derived from one variable, namely Non- Availability of Machinery (0.669). It shows that these enterprises are facing problems relating to production.

Factor 8: (**Pre commencement tax related Problems**) accounts to 4.077 percent of the total variance and is derived from only one variable, namely: problem relating to tax before commencement of business (0.683). This variable is relating to Pre commencement Problems.

Factor 9: (**Registration Problems**) this factor accounts to 3.168 percent of the total variance and is derived from only one variable, namely: Registration before commencement of business (0.529). This variable is only one variable which is relating to Pre-commencement problems.

FIGURE: 1 PROBLEMS FACED BY MSMES IN VISAKHAPATNAM DISTRICT



The above chart explains nine problems faced by MSMEs in Visakhapatnam district of Andhra Pradesh State.

VII. CONCLUSION

The main findings of the study have generated some important factors relating to problems faced by MSMEs in Visakhapatnam district of Andhra Pradesh. It concludes that **Tax** is a major problem faced by these enterprises which is derived in factor 1. All the Tax related variables are extracted under factor 1, namely: problems relating payment of VAT, CST, Excise duty, Custom duty and problem for claiming input tax credit. Due to lack of funds they are unable to pay various taxes. Hence the study revealed that tax related Finance Problem is the major factor which these sectors are facing with. The second highest problem faced by these enterprises is relating to **Finance**. It is derived in factor 2. The variables derived in this factor are grant of subsidy, maintenance of books, documentation, and grant of loan. . All these four variables are derived in factor 2. This shows that all the variables relating to finance are clustered in factor 2. Factor 1 also shows that these sectors are facing finance problems but purely relating to tax. It means that MSMEs are facing serious problem relating to Finance. The third highest problem faced by these enterprises is relating to **Power**. It is derived in factor 3 which has four variables. The variables derived in this factor are Power cut, Power holiday, high expenditure on power consumption and High cost of alternative power. All these four variables are representing the problem relating to Power. Hence it is proved that MSMEs are facing problems relating to Power, which in turn affects their production. The use of alternative power arises since there is acute power cut, power holiday and high consumption of power. The fourth highest problem faced by these enterprises is relating to **labour**. This is derived in Factor 4. The variables derived in this factor are problems relating to idle time spent by labour, high cost of skilled labour, non availability of skilled labour and frequent absenteeism of labour. All

these four variables are representing the labour problems It shows that MSMEs are facing labour problem which in turn effects production along with power. The fifth problem faced by these enterprises is relating to **Raw Material** which is derived in Factor 5. The variables derived in this factor are shortage of Raw Material, Increase in ordering cost, problem in storage of Raw Material and High cost of Raw Material. This shows that the fifth problems faced by these enterprises are relating to Raw Material, which in turn affects the production along with power problems and labour problems. This proves that one of the major problems faced by these sectors is production. The sixth problems faced by these sectors is relating to **debtors**. It is derived in factor 6. There is only one variable derived in this factor which is problems relating to allowing credit to customers. This shows that by allowing credit to customers MSMEs are facing problem. This problem is also part of Finance Problem.

The Seventh problem faced by MSMEs is relating to **Technology**. This is derived in Factor 7. There is only one variable derived in factor 7 relating to technology which is Non availability of Machinery. This variable is representing the problem relating to technology. The technology problem also affects the production.

The eight problem faced by these sector is relating to **Pre commencement of business**. The variable derived in this factor 8 is tax problem before commencement of business. This variable is representing the problem before commencement of business. This variable is the only variable which is representing the problem relating to pre-commencement of business. The ninth problem faced by these enterprises is relating to **Registration of business**. This is derived in factor 9. Only one variable is derived which is Registration. It shows that before commencement of business these sectors are facing problems relating to tax and also Registration. From the above findings it can be concluded that though the researcher has conducted a study on five areas of problems namely, finance, production, marketing, management and pre-commencement of business. The results proved that the MSMEs in Visakhapatnam district are facing two major problems. 1. Relating to Finance and 2. Relating to Production. In Production the major problem faced by them are relating to power and next is relating to labor and then comes the problems relating to Raw Material and a minor problem relating to technology and Pre-commencement of business. The other two problems of the study are not disclosed in the analysis. It means that MSMEs are not facing any problem relating to marketing and management. So Finance is the major problems and next is the Production problems.. It proves that all the MSMEs are facing problems in two major areas, hence the Null Hypothesis is accepted.

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