

PROBLEMS FACED BY ENTREPRENEURS AND CAPACITY BUILDING FOR ENTREPRENEURSHIP

Entrepreneurs face a number of problems in the promotion of units and during production, marketing, distribution, procurement of raw material, and availing of incentives offered by the State government.

However, it would be of great interest to broadly study the common general problems faced by the entrepreneur and the specific problems faced by his units. A conceptual framework of the problems faced by the entrepreneurs in general is discussed here.

The problems of entrepreneurs may be divided into two groups—**external and internal**. External problems are those which result from factors beyond the control of the entrepreneurs while internal problems are those which are not influenced by external factors.

The problems of industries, whether in the small sector or in the organised sector, are almost identical. However, given that the organised industry is financially very strong and its resources large, it can, therefore, face its problems more effectively. Owing to its weak financial structure, the resources of the small sector are limited. While the large sector can employ trained and experienced managers, in the small industry, its proprietor or partners or, if the unit is a company, its director or directors themselves have to take care of all the problems. The large sector can influence its raw material suppliers, its customers and at times even the government in framing its policies, but the small entrepreneur is helpless in this respect.

Internal Problems of Entrepreneurs

1. Planning

(a) Technical feasibility

- ◆ Inadequate technical know-how

Problems faced by entrepreneurs are:

- a. Internal problems
- b. External problems and
- c. Specific management problems.

To build capacity for entrepreneurship following measures can be taken:

Availability of credit, imported raw materials, skilled labour, Technology and Equipment, Infrastructural facilities, Advisory Services and access to market.

- ◆ Poor project implementation
- ◆ Lack of strategies
- ◆ Lack of vision
- ◆ Inadequate connections
- ◆ Lack of motivation
- ◆ Underestimation of financial requirements
- ◆ Unduly large investment in fixed assets
- ◆ Overestimation of demand

- ◆ Locational disadvantage
- ◆ Outdated production process
- (b) Economic viability
 - ◆ High cost of inputs
 - ◆ Break-even point too high
 - ◆ Uneconomic size of project
 - ◆ Choice of idea
 - ◆ Feeble structure
 - ◆ Faulty planning

2. Implementation

Cost over-runs resulting from delays in getting licences, sanctions, and so on, and inadequate mobilisation of finance.

3. Production

(a) Production management

- ◆ Inappropriate product mix
- ◆ Poor quality control
- ◆ Poor capacity utilisation
- ◆ High cost of production
- ◆ Poor inventory maintenance and replacement
- ◆ Lack of timely and adequate modernisation and so on
- ◆ High wastage
- ◆ Poor production

(b) Labour management

- ◆ Excising high wage structure
- ◆ Inefficient handling of labour problems
- ◆ Excessive manpower
- ◆ Poor labour productivity
- ◆ Poor labour relations
- ◆ Lack of trained skilled labour or technically competent personnel

(c) Marketing management

- ◆ Dependence on a single customer or a limited number of customers/single or a limited number of products

- ◆ Poor sales realisation
 - ◆ Defective pricing policy
 - ◆ Booking of large orders at fixed prices in an inflationary market
 - ◆ Weak market organisation
 - ◆ Lack of market feedback and market research
 - ◆ Unscrupulous sale purchase practices
- (d) Financial management
- ◆ Poor resource management and financial planning
 - ◆ Faulty costing
 - ◆ Dividend policy
 - ◆ General financial indiscipline and application of funds for unauthorised purposes
 - ◆ Deficiency of funds
 - ◆ Over trading
 - ◆ Unfavourable gearing or keeping adverse debt equity ratio
 - ◆ Inadequate working capital
 - ◆ Absence of cost consciousness
 - ◆ Lack of effective collection machinery
- (e) Administrative management
- ◆ Over centralisation
 - ◆ Lack of professionalism
 - ◆ Lack of feedback to management (Management Information System)
 - ◆ Lack of timely diversification
 - ◆ Excessive expenditure on R and D

External Problems of Entrepreneurs

- (a) Infrastructural
- ◆ Location
 - ◆ Power
 - ◆ Water
 - ◆ Post Office and so on
 - ◆ Communication
 - ◆ Non-availability or irregular supply of critical raw materials or other inputs
 - ◆ Transport bottlenecks
- (b) Financial
- ◆ Capital
 - ◆ Working capital
 - ◆ Long-term funds
 - ◆ Recovery

- (c) Marketing**
- (d) Taxation**
- (e) Raw material**
- (f) Industrial and financial regulations**
- (g) Inspections**
- (h) Technology**
- (i) Government policy**
- (j) Administrative hurdles**
- (k) Rampant corruption**
- (l) Lack of direction**
- (m) Competitive and volatile environment**