



A critical study on micro, small and medium enterprises: A case study of Prakasam district in Andhra Pradesh

M Anuradha¹, Bharathi²

¹ Research Scholar, Department of Economics, Acharya Nagarjuna University, Guntur, Andhra Pradesh, India

² Assistant Professor, Department of Economics, Acharya Nagarjuna University, Guntur, Andhra Pradesh, India

Abstract

The Micro, Small & Medium enterprises (MSMEs) is one of the most vital sectors of any economy in general and India in particular in ensuring equitable, inclusive & employment friendly economic growth. This sector also plays very important role in socio-economic development of Indian economy on account of their inherent advantages like low capital requirement, high employment generation and decentralization of industrial activity, utilization of locally available resources and widening of entrepreneurial base. The MSMEs have an important positive role in the developing economy of India. Hence, "many units of this sector remain at a vulnerable stage soon after their birth or promotion". Physical infrastructure like uninterrupted supply of power at cheaper rates, and the availability of raw materials are the prime concern for manufacturing or the industrial segment of the MSME sector. The study has great significance in the absence of similar study pertaining to the Prakasam district of Andhra Pradesh. This study is relevant particularly when the government is very keen on the promotion and development of this capital- sparing and labor-intensive sector. Hence, the importance of the present study is emphasized in the light of different problems that hamper the smooth functioning of the small-scale sector. The study forms a basis for future research as it addresses various issues like production, managerial, marketing and financial problems separately. Thus, the study has got great relevance and significance in the present context of small and tiny sectors of Indian economy.

Keywords: micro, small & medium enterprises, employment, manufacturing, investment

Introduction: MSME in India

The Micro, Small & Medium enterprises (MSMEs) is one of the most vital sectors of any economy in general and India in particular in ensuring equitable, inclusive & employment friendly economic growth. This sector also plays very important role in socio-economic development of Indian economy on account of their inherent advantages like low capital requirement, high employment generation and decentralization of industrial activity, utilization of locally available resources and widening of entrepreneurial base. MSMEs has performed exceedingly well and enabled the

country to achieve a wide measure of industrial growth and diversification over five decades ^[1].

Definition of MSME

Micro, Small and Medium Enterprises are generally defined in terms of the investment in the plant, machinery and/or equipment, the number of people employed and annual turnover. In India the MSMEs are defined just according to the amount of investment ceiling for Plant, Machinery or Equipment ^[2]:

Table 1: Definition of MSME according to ministry of MSME

Particulars	Services sector (Max Investments in Equipments) (Rs in lakhs)	Manufacturing sector (Max Investments in Plant & Machinery) (Rs in lakhs)
Micro enterprises	Up to 10.00 lakh	Up to 25.00 lakh
Small enterprises	From 10.00 lakh to 2.00 crore	From 25.00 lakh to 5.00 crore
Medium enterprises	Form 2.00 crore to 5.00 crore	From 5.00 crore to 10.00 crore

Source: MSME Development Act 2006.

Reform India Small Scale Industries major initiative-2016

Small Scale Industries position is prime in economy growth and these industries are determine as growth engine for global economy hence to run this engine on fast track as well as to reach this engine to every part of state or country or world we need to have desire fuel and track availability. The unique and dynamic part of these industries is they are growing at the 10 per cent rate for every year in spite of various recession and crises in economy. Small Scale Industries is doing well in service industries, this industry

working very hard in manufacturing sector by producing over 6000 products ranging from traditional to hi-tech items. India also working on various other mission like global sea movement system and earth observation satellite projects. SME play very significant role to develop these projects by providing key factor tools. Many multinational companies are attracting towards SME as India is key market in various high end product ^[3]. Statistics reveal that the number of such enterprises set-up, employment generated and the investments made in the MSME sector in India has shown an increasing trend over the years as evident from Table

Table 2: Performance of MSME sector in India

Sl. No.	Year	Total working enterprises	Employment Generated (Rs.in lakhs)	Market value of Fixed Assets (Rs.in crores)
1.	2010-11	428.73	965.15	1,105,934.09
2.	2011-12	447.64	1,011.69	1,182,757.64
3.	2012-13	447.54	1,061.40	1,268,763.67
4.	2013-14	488.46	1,114.29	1,363,700.54
5.	2014-15	510.57	1,171.32	1,471,992.94
6.	2015-16	525.18	1,224.78	1,512,812.18
7.	2016-17	532.41	1,289.45	1,597,147.52

Source: Annual Reports of MSME, Government of India, 2016-17& 2017-18.

Problems faced by the MSMEs

The MSMEs have an important positive role in the developing economy of India. Hence, “many units of this sector remain at a vulnerable stage soon after their birth or promotion” [4]. Physical infrastructure like uninterrupted supply of power at cheaper rates, and the availability of raw materials are the prime concern for manufacturing or the industrial segment of the MSME sector [5]. The following are the major problems have been identified as follows: Technology obsolescence; Managerial inadequacies; Delayed Payments; Poor Quality; Incidence of Sickness; Lack of Appropriate Infrastructure; and Lack of Marketing Network.

MSME in Andhra Pradesh

The MSME Sector, being a priority sector has been given special emphasis by both the State and the Central Governments over the decades. With this thrust, the small-

scale sector in the State has witnessed rapid growth. The inherent advantages of the small-scale sector to a growing economy – like high employment potential, low capital investment, use of conventional low-cost technology, etc, have helped industrialization percolate to village level. With the periodic revision of the investment limit of the small-scale sector and the advent of new technologies, the product base of this sector has widened.

In Andhra Pradesh, there are many varieties of products manufacturing through MSME sector. These sectors are high concentration on food sector, mineral and building materials sector, drugs and pharmaceuticals, fabricated materials, trading and service sector.

New policy of the MSME -2015-20 is aimed at “establishing state-of the art infrastructure, advancing inclusivity, fostering innovation and creating employment opportunities across different skill sets in Andhra Pradesh”.

Table 3: Year-wise investment and employment of MSMEs in Andhra Pradesh

Sl. No.	Year-wise	Units (in Nos)	Investment (Rs. In crores) at current prices	Employment (Nos)
1.	2011-12	12546	13985	199847
2.	2012-13	13251	14526	201359
3.	2013-14	13654	14982	208725
4.	2014-15	13987	15024	210541
5.	2015-16	14514	15264	210687
6.	2016-17	14697	16245	221478
	Total	261979	119066	3140862

Source: Compiled from the MSME Annual Reports 2015-16& 2016-17&2017-18, Govt. of India, New Delhi.

Review of literature

Gaurav Sehgal and Ashok Aima (2011) [6] in their article entitled “Microfinance for SMEs: Prospects, Challenges and Implication”, reveals that due to lack of collateral and financial data, SMEs have difficulties in raising funds from commercial banks. Meanwhile, SMEs face a quandary in that microfinance loans are not enough to meet their capital demand.

Vasanth K, Majumdar M and Krishna K (2012) [7] in their paper have stated that since several successful models of the sustainable SME are gradually evolving, networks of SMEs would become essential for addressing the systemic problems under lying the industrial ecology, enterprise resilience, and global supply chain sustainability.

Srinivas K T, (2013) [8] has studied the performance of micro, small and medium enterprises, and their contribution in India’s economic growth and concluded that MSMEs play a significant role in inclusive growth of Indian economy.

Significance of the study

The study has great significance in the absence of similar study pertaining to the Prakasam district of Andhra Pradesh. This study is relevant particularly when the government is very keen on the promotion and development of this capital-sparing and labor-intensive sector. Hence, the importance of the present study is emphasized in the light of different problems that hamper the smooth functioning of the small-scale sector. The study forms a basis for future research as it addresses various issues like production, managerial, marketing and financial problems separately. Thus, the study has got great relevance and significance in the present context of small and tiny sectors of Indian economy.

Objectives

The present study aims at examining the study on Micro, Small and Medium Enterprises in Prakasam district of Andhra Pradesh state. For this purpose, following objectives have been outlined.

- To study the expansion and operational of Micro and Small-Scale Enterprises (MSMEs) in India in general and with reference to Andhra Pradesh in particular.

- To understand and analyze the role of the District Industries Centers (DICs) in the industrial promotion of micro and small-scale industries in Prakasam district along with its profile.
- To study the problems and elicit the views of entrepreneurs on the problems in running the small-scale units in Prakasam district.
- To summarize the study, draw conclusions and offer suggestions for the effective working of the small-scale units.

Methodology

In the light of the above objectives, the present study is based on the secondary as well as primary data. The study aims at an exploration into the views of entrepreneurs towards the problems and prospects of Small-Scale Industrial units in the Prakasam district of Andhra Pradesh. Secondary data was collected from the sources such as Ministry of Micro, Small & Medium Enterprises (MSME) published year-wise reports, at the state level data collected from Commissionerate District Industries Centres (DICs) of Andhra Pradesh and Prakasam district and Governmental and Non-governmental Institutions, various reputed Journals etc. In addition to the above, statistical data was collected from Internet browsing from various governmental institutions as well as non-governmental institutions.

Selection of Sample Units

The sample consists of 306 entrepreneurs in Prakasam district of Andhra Pradesh state on the basis of Krejcie & Morgan formula. Details are presenting in the table below.

Krejcie & Morgan Formula

$$n = \frac{X^2 * N * P * (1 - P)}{(ME^2 * (N - 1)) + (X^2 * P * (1 - P))}$$

Where :

n = sample size

X² = Chi-square for the specified confidence level at 1 degree of freedom

N=Population size

P=Population proportion (.50 in this table)

ME = desired Margin of Error (expressed as a proportion)

The sample units are drawn from the list of units, whose data were available continuously for the last ten years given by the DIC, Prakasam district of Andhra Pradesh. The researcher has approached the DICs of Prakasam district. The authorities of the DICs of Prakasam district are kind enough to provide the relevant information on the topic which the researcher had proposed to undertake for her research work.

Sample size from population

Details	MSME
population	1531
Sample Size	306
Confidence	95%
Margin of error	0.5%

Data analysis

Both primary and secondary data was processed through software packages such as Excel and Statistical Package for Social Sciences (SPSS) for calculating simple statistical tools like percentages, cross sectional analysis and chi-square values etc. and also used five point Likert scale to understand the perception of the entrepreneurial problems.

Period of the Study

The period of study is ten years, which is considered to be adequate for study of this kind. The information relating to the profile of village industrial units is obtained for the period covering ten years, i.e., during 2006-07 to 2016-17. The information relating to the formation, functioning, growth and problems is covered during this period.

Method of Data Collection

In obtaining the views of entrepreneurs on the functioning and problems of village industrial units, the interview schedule that was formed covered the following aspects: Rationale in starting the present enterprises; Socio-economic conditions of the respondent; Support gained from DIC in financial and other related matters; Problems faced in finance, marketing and human resource in running the enterprises; and Steps taken to overcome these problems.

Results

Table-4 presents the gender of the respondents. The Table shows that among 306 respondents, male constitutes the major proportion of 87.9 per cent (269) and the female constitute only 12.1 per cent (37). Out of the 269 males (87.9 per cent), 37.5 percent (101) of the male respondents are handling the small-scale industries, followed by the medium industries i.e., 32.0 percent (86), 26.0 per cent (70) are micro industries and only 4.5 percent (12) are in ancillary industries. Thus, it is concluded that most of the male respondents are taking up these industries as there is a job recession in the country. Overall, More than 60 per cent of the males are indulged in these type industries. The Pearson Chi-square value is 7.502 at 0.058 significant levels.

Table-5 shows about the nature of operation of an enterprise. More than 50 per cent (158) are engaged in assembling business followed by 32.4 per cent (99) are in processing sector, 12.7 per cent (39) are in manufacturing sector and 3.3 per cent (10) are in repairing and service sector.

In micro and small-scale enterprises, more than 50 per cent are in assembling process. whereas, Medium scale enterprises preferred more processing sector with 50 per cent and ancillary industries with 50 per cent (6).

Thus, it is depicted that maximum are indulged in assembling lines which are geared toward producing a specific type of product in mass quantities, which can make a business less flexible if it wants to shift production to different types of products. The Pearson Chi-square value is 70.669 at high significant level.

Table 4: Table showing the gender of the respondents

Gender	Category of the unit				Total
	Micro	Small	Medium	Ancillary	
Male	70(26.0) (94.6)	101(37.5) (87.1)	86(32.0) (82.7)	12(4.5) (100.0)	269(100.0) (87.9)

Female	4(10.8) (5.4)	15(40.5) (12.9)	18(48.6) (17.3)	0(0.0) (0.0)	37(100.0) (12.1)
Total	74(24.2) (100.0)	116(37.9) (100.0)	104(34.0) (100.0)	12(3.9) (100.0)	306(100.0) (100.0)

Source: Compiled from collected data.

Note: Figures in parenthesis indicates percentage to the total entrepreneurs.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.502 ^a	3	.058
a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 1.45.			

Table 5: Table showing the nature of operation of enterprises

Nature of operation	Category of the unit				Total
	Micro	Small	Medium	Ancillary	
Assembling	53(33.5) (71.6)	68(43.0) (58.6)	32(20.3) (30.8)	5(3.2) (41.7)	158(100.0) (51.6)
Manufacturing	13(33.3) (17.6)	12(30.8) (10.3)	8(20.5) (7.7)	6(15.4) (50.0)	39(100.0) (12.7)
Processing	8(8.1) (10.8)	34(347.3) (29.3)	56(56.6) (53.8)	1(1.0) (8.3)	99(100.0) (32.4)
Repairing and service	0	2(20.0) (1.7)	8(80.0) (7.7)	0	10(100.0) (3.3)
Total	74(24.2) (100.0)	116(37.9) (100.0)	104(34.0) (100.0)	12(3.9) (100.0)	306(100.0) (100.0)

Source: Compiled from the collected data.

Note: Figures in parenthesis indicates percentage to the total entrepreneurs.

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	70.669 ^a	9	.000
a. 6 cells (37.5%) have expected count less than 5. The minimum expected count is .39.			

Table 6: Table showing the influencing factor to initiate enterprises

Factors	Category of the unit				Total
	Micro	Small	Medium	Ancillary	
Availability of raw materials	16(21.6) (21.6)	26(35.1) (22.4)	32(43.2) (30.8)	0	74(100.0) (24.2)
Availability of market	54(24.9) (73.0)	90(41.5) (77.6)	67(30.9) (64.4)	6(2.8) (50.0)	217(100.0) (70.9)
Availability of skills	4(26.7) (5.4)	0	5(33.3) (4.8)	6(40.0) (50.0)	15(100.0) (4.9)
Total	74(24.2) (100.0)	116(37.9) (100.0)	104(34.0) (100.0)	12(3.9) (100.0)	306(100.0) (100.0)

Source: Compiled from the collected data.

Note: Figures in parenthesis indicates percentage to the total entrepreneurs.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	62.764 ^a	6	.000
a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is .59.			

Every business is influenced by several factor to initiate either internally or externally where entrepreneur promotes it. Table-6 describes about the influencing factor for commencing the business. Out of 306, More than 70 per cent i.e. 217 has been influenced due to availability of market, whereas 24.2 per cent (74) are due to raw materials and 4.9 per cent (15) are due to availability of skills.

Whereas, more than 50 per cent of the enterprises are influenced by availability of markets. Overall, it is concluded that market leads a major role for any business in performing their economic activities. If the markets are nearby, then they can purchase and sell the products in the market with flexibility, less transportation cost. Thus,

market helps in distinguishing the demand and supply, price elasticity of the product.

Table-7 shows the procurement and difficulties faced for getting raw materials by the respondents. Out of 306, more than 70 per cent (229) of entrepreneurs are procuring raw materials flexibly. Remaining 77 are facing problems in procuring raw materials.

When each enterprises compared, more than 50 per cent are procuring raw materials very flexibly. Out of 77, 13.7 per cent (42) are facing local scarcity, 5.9 (18) are facing unorganized nature of market, 3.9 per cent (12) are facing lack of Government control and 1.6 per cent (5) are unable to make bulk purchase.

As a whole, every business prerequisite is availability of raw materials for production, creates employment, and expansion. The Pearson Chi-square value is 12.162 at 0.007 significant level.

Table 7: Table showing the procurement and difficulties in getting raw materials

		Category of the unit				Total
		Micro	Small	Medium	Ancillary	
Procurement of raw materials	Yes	49(21.4) (66.2)	86(37.6) (74.1)	88(38.4) (84.6)	6(2.6) (50.0)	229(100.0) (74.8)
	No	25(32.5) (33.8)	30(39.0) (25.9)	16(20.8) (15.4)	6(7.8) (50.0)	77(100.0) (25.2)
If no, difficulties for getting the raw materials	Local scarcity	19(45.2) (25.7)	14(33.3) (12.1)	9(21.4) (8.7)	0	42(100.0) (13.7)
	government control	6(50.0) (8.1)	0	0	6(50.0) (50.0)	12(100.0) (3.9)
	Inability to make bulk purchase	0	5(100.0) (4.3)	0	0	5(100.0) (1.6)
	Un-organized nature of market	0	11(61.1) (9.5)	7(38.9) (6.7)	0	18(100.0) (5.9)
	Not Applicable	49(21.4) (66.2)	86(37.6) (74.1)	88(38.4) (84.6)	6(2.6) (50.0)	229(100.0) (74.8)

Total	74(24.2) (100.0)	116(37.9) (100.0)	104(34.0) (100.0)	12(3.9) (100.0)	306(100.0) (100.0)
-------	------------------	-------------------	-------------------	-----------------	--------------------

Source: Compiled from the collected data.

Note: Figures in parenthesis indicates percentage to the total entrepreneurs.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.162 ^a	3	.007
a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 3.02.			

Table-8 illustrates the type of difficulties faced by the entrepreneurs in selling the products. Out of 306 entrepreneurs, 33 per cent (101) do not face difficulties in selling while other 205 face problems. Among these, 19 per

cent (58) face insufficient demand of product, 18.6 per cent (57) face transportation facility, 16.3 per cent (50) face low prices, 10.5 per cent (32) face storage problem and 2.6 per cent (8) face delayed payment.

When enterprises are compared internally, most of them do not face difficulties. Few of them are facing problems. The Pearson Chi-square value is 13.946 at 0.003 significant levels.

Table 8: Type of difficulties in selling the products in the market faced by the respondents

Types of difficulties	Category of the unit				Total
	Micro	Small	Medium	Ancillary	
Low price	10(20.0) (13.5)	20(40.0) (17.2)	20(40.0) (19.2)	0	50(100.0) (16.3)
Insufficient demand	30(51.7) (40.5)	19(32.8) (16.4)	9(15.5) (8.7)	0	58(100.0) (19.0)
Transportation	13(22.8) (17.6)	12(21.2) (10.3)	26(45.6) (25.0)	6(10.5) (50.0)	57(100.0) (18.6)
Storage	5(15.6) (6.8)	6(18.8) (5.2)	21(65.6) (20.2)	0	32(100.0) (10.5)
Delayed payment	0	8(100.0) (6.9)	0	0	8(100.0) (2.6)
No difficulties	16(15.8) (21.6)	51(50.5) (44.0)	28(27.7) (26.9)	6(5.9) (50.0)	101(100.0) (33.0)
Total	74(24.2) (100.0)	116(37.9) (100.0)	104(34.0) (100.0)	12(3.9) (100.0)	306(100.0) (100.0)

Source: Compiled from the collected data.

Note: Figures in parenthesis indicates percentage to the total entrepreneurs.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.946 ^a	3	.003
a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 3.96.			

Major Findings of the study

After due consideration of the analysis made, the study arrives at the following findings.

1. The present study is illustrated that, very less entrepreneurs are engaging in these enterprises in the forthcoming years. So, there is an urge with the Government to encourage the entrepreneurs through conducting more developmental programmes, schemes and appraisal of loans for commencement of business.
2. It is found that market leads a major role for any business in performing their economic activities. If the markets are nearby, then they can purchase and sell the products in the market with flexibility, less transportation cost. Thus, market helps in distinguishing the demand and supply, price elasticity of the product.
3. It also revealed problems faced by the entrepreneurs in procuring raw material and selling the products, competitions faced in the market and awareness on Entrepreneurship Development Programme.

Suggestions

There are few concepts where Government are required to focus towards strengthening MSMEs sector so than it can continue its contribution in the nations growth.

1. Female proportion as entrepreneurs is very less. Social and Government support may improve more participation.
2. Employment can be generated through entrepreneurship development in the MSME sector, but only through proper planning and training.
3. Execution of Government policies is crucial to

implementation. It shows that lack of coordination amongst the concern Government departments and a need felt to establish a proper communication system to improve on it.

4. MSME must support the marketing and distribution of products and services.
5. The Government machinery must be instrumental and industry-friendly to solve the associated problems.

Conclusion

The present paper describes the MSME entrepreneurs indicate with clarity where they feel they stand with respect to the various determinants of entrepreneurship sustainability in the selected area of Prakasam district in Andhra Pradesh. The entrepreneurs do have issues with accessibility to various resources which needs to be attended to. Their perception of their social acceptance is not very high either. Where they score really well is on the motivational front.

References

1. Jeeban Jyoti Mohanty. "A Study on Micro, Small and Medium Enterprises (MSMEs) in India: Status and its Performance", International Journal of Research and Scientific Innovation, Volume-V, Issue-V, ISSN 2321-2705, 2018, pp.105-114.
2. Annual Report Ministry of MSME, Government of India, New Delhi, 2015.
3. MSME Annual Report Government of India, New Delhi, 2015.
4. Report of Ministry of MSMEs, Govt. of India, New Delhi, 2008.
5. Vasu MS, Jayachandra K. "Growth & Development of MSMEs in India: Prospects & Problems", Indian Journal of Applied Research. 2014; 4(5):56-59.
6. Gaurav Sehgal, Ashok Aima. "Microfinance for SMEs: Prospects, Challenges and Implications", International

- Journal Research in Commerce and Management. 2011; 1(4):37-44.
7. Vasanth Majumdar K, Krishna MK. “Innovative Marketing Strategies for Micro, Small & Medium Enterprises Inter disciplinary”, Journal of Contemporary Research in Business, 2012.
 8. Srinivas KT. “International Journal of Engineering and Management Research”, 2013; 3(4). ISSN No: 2250-0758.