

Assessment of operational functions affecting on the micro and small enterprises' sustainability

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DoI: 10.23862/kiit-parikalpana/2022/v18/i1/212350

Abstract

Micro and Small business being epitomised for the economic development, have had its detriments which domineer the success rate. To strengthen the enterprise, the supports from the governments in the way of many schemes have been exponentially disseminated to the relative communities. Yet, the sustainability of micro and small business is surmountable. It is evident through literature that the operational functions are not effective enough to be sustainable which would impact the success rate of the micro and small business. Assessing the impact of the operational functions i.e. marketing competence, technology competence, information access, government support and financial competence are dependent on the success of micro and small enterprise. The study has been carried out with a mix method of descriptive design, mixed approach of qualitative and quantitative, convenience sampling and the cross sectional surveys. The data collected with a self-administered questionnaire from the unit of proprietors of micro and small enterprises in Srikakulam District. The data was analysed with descriptive and inferential statistics and through ANOVA and Multiple Regression Analysis, the interpretations of impact and strength of explaining dependable variable were explored. Conclusions have been established out of certain management implications.

Keywords: MSEs, Sustainability, Operational Functions, Srikakulam, Multiple Regression Analysis

1. Introduction

Indian Micro Small and Medium Enterprises (MSMEs) being a main contributor to the country for its socio-economic development, Gross Domestic Product (GDP) and exports is a driving force for the development of free enterprise in rural India. The exemplary and epitomised statistics from the MSME Ministry, as of November 26, 2021, the number of MSMEs registered are 5,767,734 with 6.3cr turnover, as per the Udyam portal data with the specification of segmenting 5,441,220 (94.34%), 293,555 (5.09%) and 32,959 (0.57%) for micro-enterprises, small enterprises and mid-sized enterprises respectively. Additionally, the Ministry of MSME offers a good number of schemes pertaining to the assistance of credit and finance and the development of skill, infrastructure, marketing, technology, quality and services.

As projected by the Government, to double the Indian economy to US\$ 5 trillion in five years, the promotion of MSME and increase its contribution to that level and thereby leads to the generation of employability to youth. Back-end services, technology based activities and R&D activities will have to be improved to establish the product unique at the standpoint of quality standards. Even government supports such products through certain subsidiaries (*Deloitte Report, 2021*).

As far as the developing countries are concerned, the contribution of small business to its GDP is around

39% of national income with an establishment of MSEs at 80%. When it comes to developing countries like India, it is believed that the role of MSE is imperative enough to add value to economic development. Low investment capabilities and cheap and locally available raw material can create good and quantified job opportunities as well as serve better (Waleligne and Wendimu, 2002).

Innovations are highly flexible and the relationship formation and maintenance is easier in SMEs since the overheads are lower and its size allows and adopts the novice processes and services (Turner, 2010).

About 10 lakh people are employed through 24,252 micro units among 97,428 MSMEs exist in the state which is the second largest employment generator next to agriculture. The important industries that make waves in the state are Agro and food-based, biotechnology, bulk drugs and pharmaceuticals, IT and ITeS, textile and leather, tourism, automotive and auto components, gems, and jewellery. Some of the cities like Chittoor, Vijayawada, Kurnool, and Guntur are the successful business hub centres in Andhra Pradesh.

Further, the encouragement and promotional activities of MSE in the state have been meagre. Though the Government has prepared the new industrial policy in 2021 and gave importance to MSMEs and women entrepreneurship, little is attained so far. MSEs are facing many challenges

in their performance, promotion and development so as hindered. The major problem is that the Micro and Small Enterprises (MSE) are incapable to address the problems they face on their own, even in and efficiently functioning market economies. Some of the trouble specifically are market accessibility, financing, business information, premises insufficiency, skills and managerial expertise, technology access, infrastructure, and discriminatory regulation practices.

Results indicated that the most common causes of business failure were lack of knowledge regarding legal matters, lack of funding, and a general lack of business acumen. This study recommend government specific measures that would improves the effectiveness of its support mechanisms to small and micro enterprises (Mbonyane, 2006)

The purpose of this research is to better understand why small businesses sustainability and how entrepreneurs can avoid failure. Number of researches have been done on determinants of business growth of MSE. However limited research has been done on the causes of small business failure. Thus this research will fill the gap in the literature.

2. Objectives

1. To identify the present positioning of MSEs in North Coastal districts of Andhra Pradesh i.e. Srikakulam, Vizianagaram and Visakhapatnam.

2. To assess the impact of operational functions, i.e. Entrepreneurial Quality, Government Support, Information Competence, Financial Competence, Technology and Marketing Competence on the sustainability of micro and small enterprises.

Hypotheses:

1. Marketing and Technology competence has a significant and positive impact on success of MSEs.
2. Financial competence has a significant and positive impact on success of MSEs.
3. Information access has a significant and positive impact on success of MSEs.
4. Government support has a significant and positive impact on success of MSEs.
5. Entrepreneurial orientation has a significant and positive impact on success of MSEs.

3. Research Methodology

The studied was carried out with descriptive design and mixed approach of qualitative and quantitative. The design of Survey research has been done by distributing questionnaire to representative sample of the study population selected from North coastal districts i.e. Srikakulam, Vizianagaram and Visakhapatnam. The population study is all MSEs of both successful and failure businesses in various industries for the last ten years. The sample was

taken from Micro and Small Enterprises list published by the ministry of MSME. To ensure the representativeness of the data, the sample technique used was simple random sampling. The sample size was determined 325 and usable sample were 112 due to extreme non-sampling errors in the age of Covid pandemic. Data was gathered through a standard questionnaire. Data gathered has been analysed with ANOVA and multiple regression through SPSS21.

4. Literature Review:

Pandya (2013) emphasised the sustainability studies for small business since the competitive advantage carry a lot with respect to the measures to be adopted to increase the business.

Gorzeń-Mitka (2013) identified previous experience, documentation review and brainstorming as risk identification techniques due to poor knowledge about its expediency or possibilities of use.

As a part of marketing efforts, retaining consumers and the offers along with the products can captivate the sales which in turn lead to the success of the firm and innovation through niche is a key strategy for small firms to grow faster (Storey, 1994).

Management of financial recourses with respect to procurement, allocation, distribution and utilisation plays a vital role in MSME success graph which is the most important and fundamental requirement for any entrepreneur. Besides, acquiring complete knowledge about the business is a significant

concern to gain sustainability of any business.

Valsamma Antony (2002) revealed the importance of working capital for the smooth running of small business as well as the marketing avenue for the promotion of the product for the improvement of the business to grow and increase its strength in competition with global and domestic market also. She also expressed that the information related to the market, competitor and consumer to be accessed through proper efficient network along with the infrastructural facilities.

Certain SMEs face some challenges such as the scarcity of financial, human and material resources, market intricacies and dynamics (Pansiri and Temtime, 2008).

Subrahmanyabala, M.H. (2004) underlined that small industry was agonised with the growth of units, employment, outcome and exporting. The policy changes lead to new openings and markets for the small-scale sector at the standpoint of technology and financial infrastructure development which routes to internationally competitive and add something to national income.

Singh et.al. (2012) stated that Small business units have progressed toward to increase the size of the business, capacity of the production as well as the levels of employment. Upgraded technology, improved financial status would boost the growth of Small business.

As regards to corporate sustainability, Epstein (2008) stated nine sustainability principles of Ethics, Governance, Transparency, Business Relationships, Financial Return, Economic Development, Value of Production and Services, Employment Practices and Protection of Environment

5. Analysis of Findings

Table 1.1 : Model Summary of operational variables

| Model Summary | | | | |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .683 ^a | .388 | .353 | .83356 |

a. Predictors: (Constant), Other variables, Entrepreneurial Quality, Government Support, Information Competence, Financial Competence, Technology and Marketing Competence

b. Dependent Variable: Business Success

As depicted in table 1, the model summary of operational variables explain 68.3% of the variance in business success of micro and small enterprises. 31.7% is accounted for business growth if other variables are controlled successfully.

Table 1.2 : ANOVA

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|-----|-------------|--------|-------------------|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 46.627 | 5 | 7.671 | 10.184 | .000 ^b |
| | Residual | 73.652 | 107 | .695 | | |
| | Total | 120.278 | 112 | | | |

a. Dependent Variable: Business Success

b. Predictors: (Constant), Entrepreneurial Quality, Government Support, Information Competence, Financial Competence, Technology and Marketing Competence

Table-1.2 exhibits the ANOVA, which defines the model is statistically significant at 1% confidence interval (0.01 level). The impact of the independent Variables i.e. Entrepreneurial Quality, Government Support, Information Competence, Financial Competence, Technology and Marketing Competence on the dependant variable of Business success is significant enough with the fisher value of 10.184

which is significant at 0.01 level. The residual value is 73.652 with degree of freedom 107 and mean square value is 0.695, which confirms this model can fit in any geographical area of study, related to micro and small business enterprises by showing statistically significant at 0.01 level.

Table 1.3 : Regression result of the model

| Model | | Coefficients ^a | | | | |
|-------|---|-----------------------------|------------|---------------------------|--------|------|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.265 | .078 | | 41.632 | .000 |
| | Technology and Marketing Competence | .321 | .079 | .310 | 4.075 | .000 |
| | Financial Competence | .184 | .079 | .177 | 2.332 | .022 |
| | Information Competence | .131 | .079 | .126 | 1.663 | .099 |
| | Government Support | .265 | .079 | .256 | 3.366 | .001 |
| | Entrepreneurial Quality | .411 | .079 | .396 | 5.216 | .000 |
| | a. Dependent Variable: Business Success | | | | | |

Table-1.3 shows Regression result of the model in which it interprets, that the technology and marketing competence 31%, with student test value 4.075 which is significant at 0.01 level. test value 2.332, Information competence has 12.6% with student test value 1.663 Government support has 25.6% with student test value 3.366, entrepreneurial quality has 39.6% with student The financial competence has 17.7% with student test value 5.216 which is significant at 0.01 level. The other variables has 14.7% with student test value 1.939 standardized beta coefficient for the dependent variable business success. Thus, the most important variables are entrepreneurial quality, technology and marketing competence, government support, financial competence and information competence respectively.

Testing Hypotheses:

1. Marketing and Technology competence has significant and positive impact on success of MSEs is supported at 5% significant level
2. Financial competence has significant and positive impact on success of MSEs is supported at 5% significant level
3. Information access has significant and positive impact on success of MSEs is supported at 10 % significant level
4. Government support has significant and positive impact on success of MSEs is supported at 5% significant level
5. Entrepreneurial orientation is significantly related to success of MSEs is supported at 5% significant level

Recommendations

1. The concentration by the related communities to transform and develop the micro enterprises into small enterprises with strategic view is highly recommended with respect to the expansion of the business should lead to consistency and sustainability of the same business.
2. Accommodating female entrepreneurs in the industry can be more accelerated by exclusive training programs in the areas of resource management, financial management and marketing management. Distribution of the knowledge through training programs can be well instituted

by proper network as it is found that most of the entrepreneurs are literates and educated.

3. Emphasis on the development of industrial development and related supports should established area wise in connection with the requirements of the people in every area.
4. Industries established in the past which are less in number can be bounced back by converting the traditional practices of management into modern in a strategic way.
5. Financial discipline with respect to risk analysis, price analysis and proper financial management can exclusively be concentrated and conveyed through respective financial institutions with whom the entrepreneurs are connected with.
6. The purpose of saving should be segmented and education for the expansion and development of the business through proper utilization of the revenue saved can lead to the sustainability.
7. Flawless transmission and distribution of electricity, legitimized policies and processes of sanctioning loans, transparency in land supply and proximity of telecommunications are highly recommended as the significance of the same to the performance is quite positive. Specifically energy has to be provided for the enterprises up to their requirement.

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