



An Empirical Study on Micro Small and Medium Enterprises in Andhra Pradesh

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Abstract: *The Micro, Small, and Medium Enterprises (MSMEs) sector plays a crucial role in the overall industrial development of the country. This paper aims to analyze the significance and performance of MSMEs in Prakasam District, Andhra Pradesh, India. The liberalization of the economy has created vast opportunities for the growth and expansion of Indian industries, including MSMEs. However, it has also introduced new challenges, such as intense competition. This study explores the challenges and opportunities faced by MSMEs in Prakasam District. A sample of 192 MSMEs was selected from the 1,924 registered industrial units listed with the District Industrial Centre (DIC). The research seeks to identify key issues affecting these enterprises and offers recommendations to address them effectively.*

Key Words: *Micro, Small and Medium Enterprises (MSMES), Problems, Prospects, Prakasam District.*

1. INTRODUCTION

Micro Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy for the last five decades. Micro, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment next to agriculture. MSME not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSME are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. Nearly 510.57 lakhs MSMEs are working in India in the year 2014-15. The increasing rate of MSMEs during the time period from 2006-07 to 2014-2015 is 14.88% and average increasing rate is 1.65%. MSMEs create employment to the people nearly 1171.36 lakhs in the year 2014-15. The increasing rate of employment in this sector is 36.63% during the period from 2006-07 to 2014-2015 and average annual increasing rate is 4.07%. The share of MSME in GDP is 37.54% and the share in manufacturing sector is 37.33% in the year 2014-2015. So it is very clear to say MSME sector is one of the growth drivers in Indian economy. In this setting, Indian MSME is fundamentally important to the Indian economic system. In the newly formed state of Andhra Pradesh there is potentiality to generate employment, bolster exports and bring flexibility into the state's business environment that deserves close attention from policy makers and researchers. In this connection our study on performance evaluation of MSMEs in Andhra Pradesh is more significant.

2. OBJECTIVES OF THE STUDY

- To study the role and performance of MSMEs in the study area
- To find out the challenges confronting by MSME in the study area.



3. METHODOLOGY

The data is collected from primary as well as secondary sources of information. The primary data is collected from the field survey and secondary data, from district industrial center and government of India's official website: www.msme.gov.in. Judgment sampling method is used in the present study. The sample consists of 306 entrepreneurs in Prakasam district of Andhra Pradesh state on the basis of Krejcie & Morgan formula. Details are presented in the table below.

Table-1 Sample size from population

Details	MSME
population	1531
Sample size	306
confidence	95%
Margin errors	0.5%

Simple statistical tools like percentages, averages and CAGR are used to analyze the data and five point Likert scale is used in the questionnaire to understand the perception of the entrepreneurial problems.

GROWTH OF MSMES

Year wise growth of registered MSMEs in the study area is presented in the table-2

Table-2 Details of MSME in the study Area

S.No	Year	No of Units	Annual Growth rate	Growth index
1	2010-11	113		100
2	2011-12	163	44.24	144
3	2012-13	222	36.19	196
4	2013-14	274	23.42	242
5	2014-15	274	00.00	242
6	2015-16	485	77.00	429
	Mean	255.17		
	SD	129.10		
	CV(%)	50.59		
	CAGR	27.48		

Source: Dic, Prakasam District

Annual growth of working enterprises is recorded by 27.48% and the index value increased more than four folds to 429. During the period from 2010-11 to 2015-16, the number of MSMEs has gradually increased from 113 to 485 except the year 2014-15. The mean value of growth of MSMEs is 255.17 per year. It is further observed that the variation in growth of MSMEs is more than 50%. It shows fluctuations in the growth of MSMEs in the study area. Annual growth rate of MSMEs in the study area is shown in the figure-I below.

MARKET VALUES OF FIXED ASSETS

Year wise market value of fixed assets of MSMEs in the study area is presented in the table-3

Table-3 Details of market values of fixed assets of MSMEs in the study area

S.No	Year	Fixed Assets in Lakhs	Annual Growth rate	Growth index
1	2010-11	4396.44		100
2	2011-12	10151.03	130.89	43
3	2012-13	17138.15	68.83	390
4	2013-14	25804.09	50.56	587



5	2014-15	22942.96	-00.11	522
6	2015-16	18215.94	-00.25	414
	Mean	16441.14		
	SD	8866.18		
	CV(%)	53.93		
	CAGR	26.73		

Source: Dic, Prakasham District

Annual growth of market value of fixed assets of MSMEs is recorded by 26.73 % and the index value increased more than four folds to 414. During the period from 2010-11 to 2015-16, the market value of fixed assets has gradually increased from 4396.44 lakhs to 18215.94 lakhs except the years 2014-15 and 2015-16. The mean value of fixed assets is 16441.44 per year and variation is more than 53%, It shows fluctuations in fixed assets of MSMEs in the study area. Annual growth rate of MSMEs in the study area is shown in the figure-2 below.

TURNOVER OF GROSS OUTPUT

Year wise annual turnover of gross output of MSMEs in the study area is presented in the table-4

Table-4 Details of turnover of gross output of MSMEs in the study area

S.No	Year	Output turnover	Annual Growth rate	Growth index
1	2010-11	248.62		100
2	2011-12	307.64	23.74	123
3	2012-13	671.17	118.16	270
4	2013-14	503.49	-24.98	203
5	2014-15	665.39	32.15	268
6	2015-16	277.74	-58.25	112
	Mean	445.68		
	SD	188.34		
	CV(%)	42.26		
	CAGR	1.86		

Source: Dic, Prakasham District

Annual growth of gross output of MSMEs is recorded by 1.86% and the index value is increased to only 12 in number. During the period from 2010-11 to 2012-13 gross output has gradually increased from 248.62 to 671.17 crores but for the years from 2013-14 to 2015-16 annual turnover of gross output got more fluctuations. The mean value of gross output is 445.68 per year and variation is more than 42%. It shows heavy fluctuations in gross output of MSMEs in the study area. Annual growth rate of MSMEs in the study area is shown in the below figure-3

EMPLOYMENT GENERATION

Annual growth of employment generation of MSMEs in the study area is presented in the table-5

Table-5 MSMEs employment generation details in the study area

S.No	Year	No of employment	Annual Growth rate	Growth index
1	2010-11	1383		100
2	2011-12	2116	53.00	153
3	2012-13	3874	83.08	280
4	2013-14	4119	06.32	298
5	2014-15	4030	-2.14	291



6	2015-16	5249	30.25	380
	Mean	3461.83		
	SD	1431.88		
	CV(%)	41.36		
	CAGR	24.89		

Source: Dic, Prakasham District

Annual growth of MSMEs employment generation is recorded by 24.89% and the index value is increased nearly four folds to 380. During the period from 2010-11 to 2015-16 employment generation has gradually increased from 1383 to 5249 except the year 2014-15. The mean value of employment generation of MSMEs is 3461.83 per year. It is further observed that the variation in growth employment generation of MSMEs is more than 41%. It shows little fluctuations in the growth of employment generation of MSMEs in the study area. Annual growth rate of employment generation of MSMEs in the study area is shown in the figure-4

DEMOGRAPHIC AND FINANCIAL PROFILE ANALYSIS

The demographic and financial profile of the entrepreneurs is analyzed in terms of 10 variables such as Age, Gender, Educational level, Community, Entry in to entrepreneurship, Experience, Constitution, Borrowing fund, Funding Institutions, Repayment.

Table-6
DEMOGRAPHIC AND FINANCIAL PROFILE DETAILS OF ENTREPRENEURS

S.No	Demographic and financial Aspects	Sub categories	f	%
1	Age	Below 30 years	48	15.69
		31-45 years	174	56.86
		Above 45	84	27.45
2	Gender	Male	297	97.06
		Female	9	2.94
3	Education	Illiterate	6	1.96
		Elementary	12	3.92
		Secondary	98	32.03
		Higher secondary	128	41.83
		Graduate	43	14.05
		Post graduate	9	2.94
		Professional	7	2.29
Technical	3	0.98		
4	Community	OC	82	26.80
		BC	211	68.95
		SC	12	3.92
		ST	1	0.33
5	Enter into entrepreneurship	Existing	237	77.45
		New Entrant	69	22.55
6	Experience	Fresher	86	28.10
		3-5 Years	193	63.07
		Above 5 years	27	8.83
7	Constitution	Proprietorship	118	38.56
		Partnership	188	61.44
8	Funding Institutions	Bank	228	78.3521.65



		Funding agencies	63	0.00
		No barrowed fund	0	
9	Funding Institutions	Bank	228	78.3521.65
		Funding agencies	63	0.00
		No barrowed fund	0	
10	Repayment	As per scheduled	253	86.94
		Delayed	38	13.06
		Default	0	0.00

Source: field survey

Age of the entrepreneur may show their performance, so the variable of age is included as one of the demographic profile variables. In the table, the dominant entrepreneur's age group is bellow 31 to 45 years with 56.69% followed by the age group of above 45 years with 27.45% and below 30 years with 15.69%. Here it is very clear that off of the entrepreneurs' age is in between 31 to 45 years, it means this age group entrepreneurs are actively involved in entrepreneurship in the study area.

Gender of the entrepreneurs is one of the important demographic profile variables because there may be a significant difference between male & female in performance to run the enterprise. In the above table male constituted 97.06% and female constituted only 2.94%.

The study revealed that the male entrepreneurs are the dominant gender in the study area. Educational Qualification of the entrepreneurs is most important demographic profile variable because it can influence the entrepreneurial performance. The dominant entrepreneurs' educational qualification is intermediate with 41.83% followed by secondary education with 32.03%, Graduate with 14.05%, Elementary education with 3.92%, Post-Graduation with 2.94%, Professional 2.29% and illiterates with 1.96%. Finally the study revealed that majority of the entrepreneurs studied up to secondary level of education.

Community of the entrepreneurs is also one of the important demographic profile variable because it may cause the differences in performance. High percent of the entrepreneurs belongs to BC with 68.95% followed by OC with 26.80%, SC with 3.92% & ST with 0.33%. Finally it is very clear to say that upper community holders are the dominant group in the study area.

The dominant entrepreneurs' nature of entry into entrepreneurship is already existed in the business with 77.45% remaining is newly entered into entrepreneurship with 22.55%. Thus the analysis revealed that the above 2/3rd of the entrepreneurs are already existed in business in the study area.

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The years of experience of entrepreneurs also influence on their level of performance. The dominant entrepreneurs having 3 to 5 years of experience with 63.07% followed by entrepreneurs who have freshly entered into entrepreneurship with 28.10% and entrepreneurs who have above 5 years of experience with 8.83%. Finally the study revealed that above

2/3 of entrepreneurs experience is minimum 3 years in the study area. Constitution of the entrepreneurs can influence their performance. Partnership entrepreneurs constituted 61.44%, proprietorship constituted 38.5%. So it is very clear to say the dominant constitution is partnership in the study area.

Borrowing founds is also one of the important variables because it shows the performance. 95.10% of entrepreneurs borrowed fund and the remaining 4.90% have not borrowed any fund. So it is very clear to say that the above 95% of entrepreneurs depended on borrowings to run the enterprise in the study area.



Funding institutions is also one of the important variables because it can influence the entrepreneur's performance. Dominant entrepreneurs availed fund from banks with 78.35% remaining availed from funding agencies. Finally the analysis reveals that the banks are the major source of funding institutions to entrepreneurs in the study area.

Debt repayment is also one of the important variables in financial profile because it also shows the performance of the enterprises. Dominant entrepreneurs are repaid in debt repayment as per schedule with 86.94%, remaining entrepreneurs delayed to repay the debt. So the study found that above 86% of entrepreneurs performance is good in terms of debt repayment in the study area.

PERFORMANCE ANALYSIS

The performance of the MSMEs is analyzed in terms of 6 variables such as profitability, value of production, cost of production, quality improvement, Sales Promotion & Man Power.

Table-7
Production performance details of entrepreneurs (N=306)

S.No	Performance Indicators	Sub categories	f	%
1	Profitability	Profitable Breaking Even Loss Making	74 213 19	24.18 69.60 6.22
2	Value of production	Improved upto 10% Improvement 11-30% Improvement 31-50% Improvement 51-100 Not improved	265 31 0 0 10	86.60 10.14 0.00 0.00 3.26
3	Cost of production	No change Reduced up to 10% Increased up to 10%	1 44 261	0.33 14.37 85.29
4	Quality improvement	No change Slight improvement Moderate improvement Good improvement	0 66 29 211	00.0 21.57 9.48 68.95
5	Sales promotion	Improved up to 10% Improvement 11- 30% Improvement 31-50% Improvement 51-100 No change	214 37 55 0 0	69.93 12.10 17.97 0.00 0.00
6	Manpower	No change Reduced up to 10% Reduced 11-30% Reduced 51-100% Increased up to 10%	66 52 9 - 179	21.57 17.00 2.93 0.00 58.50

Source: Field survey

Profitability is one of the important indicators in the financial performance of entrepreneurship. Financial performance in terms of profitability is divided into three point scale. 69.60% of entrepreneurs attained break even



profits.24.18% of entrepreneurs attained profits and 6.22% of entrepreneurs attained losses. Finally this analysis revealed that very less percent of entrepreneurs attained losses.

For performance index, value of production is divided into five point scale. 86.60% of entrepreneurs' value of production is improved up to 10%. 10.14% of entrepreneurs' production value is improved in between 11% to 30% and 3.26% of entrepreneurs production value is not changed. Finally it revealed that above 96% of entrepreneurs have improved their value of production more than 10%.

The cost of production is also influenced variable of the profitability. In this study cost of production is divided in to three point scale. 85.29% of entrepreneurs' cost of production is increased up to 10%, 14.37% of entrepreneurs cost of production is reduced up to 10% and 0.33% of entrepreneurs cost of production is not changed. Finally the study revealed that 5/4th of entrepreneurs' cost of production is increased due to escalation of raw material and labour costs. 5/1 of entrepreneurs' cost of production is decreased due to usage of advanced machinery and equipment.

For the quality improvement of the product of entrepreneurship, four point scale is used in the study. 68.95% of entrepreneurs' product quality is improved so well, 21.57% of entrepreneur product quality is improved slightly and 9.48% of entrepreneur product quality improved moderately. Finally the study revealed that all the entrepreneurs product is changed something in quality.

Sales promotion also influences that profitability of the entrepreneurs that is why this study is used as one off the variables in the production performance. Sales promotion category is divided into four point scale. 69.93% of entrepreneur sales are improved up to 10%, 17.97% of entrepreneur sales are improved in between 31% to 50% and 12.10% of entrepreneur sales are improved in between 11% to 30%. Finally this study concluded that all entrepreneurs' sales are improved above 10% in the study area.

The manpower influences the performance of the entrepreneurship. 58.50% of entrepreneurs have increased their manpower up to 10%, 21.57% entrepreneurs have not changed their manpower. 17.00% of entrepreneurs have reduced decreased their manpower up to 10% and 2.93% entrepreneurs have reduced their manpower between 11% and 30%. Finally the study revealed that above 1/2 of the entrepreneurs have increased their manpower to raise their production capacity and nearly 1/5th of entrepreneurs decreased their manpower to reduced cost of production, both being good signs in entrepreneurship in the study area.

4. PROBLEMS OF MSMES

The MSMEs faces a number of problems. The main problems of MSMEs in India are Absence of adequate and timely supply of finance, Competition, Infrastructure, Marketing, Government Regulations, Information, Technology, Economic Instability, Skilled Labour, Corruption, Irregular power supply, Managerial competition.

Table 8
Details of MSME problem (N=306)

S.No	PROBLEMS	Scores**	Scores in	%Ranks
1	Finance	1398	16.05	1
2	Competition	482	5.53	83
3	Infrastructure	998	11.45	4
4	Marketing	1044	11.98	3
5	Govt. Regulations	411	4.72	10
6	Information	467	5.36	9
7	Technology	534	6.13	7
8	Economic Instability	961	11.03	5
9	Skill Labour	1160	13.33	2
10	Corruption	327	3.75	11
11	Irregular power supply	610	7.00	6
12	Managerial competition	318	3.65	12



	Total	8710	100.00	12
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Source: Field survey Note: **on the basis of five point scale

Among all the problems which MSMEs face in the study area, finance is the major problem with 16.05% followed by unskilled labour with 13.33%, lack of marketing with 11.98%, lack infrastructure with 11.45%, economic instability with 11.03%, irregular power supply with 7.00%, lack of technology with 6.13%, competition from substitutes with 5.53%, lack of information with 5.36%, government regulations with 4.72%, corruption in the society with 3.75% and managerial competition with 3.65%.

5. CONCLUSIONS

The annual growth of working MSMEs, market value of fixed assets, employment generation are recorded nearly at 27.48%, 26.73%, and 24.89% respectively but gross output is recorded only at 1.86% and Index value of working MSMEs, market value of fixed assets, employment generation is increased more than four folds but surprisingly the gross output is increased only to 12 in number.

More than 96% of entrepreneurs has improved their value of production and sales above 10%, all entrepreneurs' product has been changed something in quality, 5/4 of entrepreneurs' cost of production has increased due to escalation of raw material and labour costs, 5/1 of entrepreneurs' cost of production has decreased due to the usage of advanced machinery and equipment, above 50% of entrepreneurs have increased their manpower to raise their production capacity and nearly 20% of entrepreneurs have decreased their manpower to reduce the cost of production and very less percent of entrepreneurs attained losses. So all MSME performing indicators showed good and positive signs in the study area but the absence of adequate and timely supply of finance is the major problem to the entrepreneur's production activity, unskilled workers who often migrate to cities is adversely affecting the growth of MSME in the study area. and other challenges i.e lack of marketing, lack of infrastructure, economic instability, irregular power supply, lack of technology are causing a low gross output.

Therefore, it is suggested to the Government to take some measures to overcome these problems particularly regarding finance, migration of unskilled labour and marketing and infrastructure by improving proper power supply and providing marketing support to the MSMEs.

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