



A STUDY ON COMPETITIVE FACTORS THAT REGULATE GROWTH OF MSMEs FOR ATTAINING SELF SUFFICIENCY

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ABSTRACT

Atam Nirbhar Bharat is the vision of self reliant India which is unattainable without the impetus provided by MSME. MSME is the second largest employment generation sector in India. It accounts for appx 8% GDP contribution and provides employment to 40%, appx 124 million people. It is nevertheless called the growth engine of the economy. The primary information is collected through structured questionnaire and the secondary data is collected from published sources of government like statistical abstract and economic surveys for the said period. Total sample of 500 units is taken by giving proportional representation to the four districts namely Amritsar (125), Jalandhar (125), Ludhiana (190) and Sangroor (60) based on concentration of industry. The internal consistency has been verified by applying Cronbach alpha. The value derived of the determinants of SWOT (48 cases) arrived at .095 which is an excellent score determining consistency. Furthermore, a factor analysis was applied to validate the role of government initiatives imposing challenges/threats and determining strengths/opportunities to the performance of MSME. The aim was to identify the essential variables, or factors, that

make clear the pattern of correlations within a set of observed variables. The statements are considered significant with less than 0.05 p-value and insignificant with more than p-value. In pursuit of determining the efficacy of the government's initiative by devising such policy measures which would facilitate the SMEs' competitive strength, tackle the issues and challenges and garner the benefits of the worldwide market, the researcher attempts to undertake SWOT analysis. The solution lies towards the revival strategies to combat all kinds of challenges. The Upliftment could be sought by adopting many solutions like fascinating the industrialists for investment in Punjab, cheering private as well as government sharing in industrial and social development, creating industrial gracious atmosphere for industry and developing indispensable infrastructure and technology in the state. The creation of the markets for the industries apposite to the area with hold to the availability of raw materials skills and capital. Such competitive, exploitative and revenue generating sector should not go unexploited. Responsive support is needed in areas such as market in a row, secure source access, sustainable administration, design and technology, and financial and business administration.

KEYWORDS: MSME, Competitiveness, SWOT, Atam Nirbhar Bharat.

INTRODUCTION

Atam Nirbhar Bharat is the vision of self-reliant India which is unattainable without the impetus provided by MSME. MSME is the second largest employment generation sector in India. It accounts for appx 8% GDP contribution and provides employment to 40%, appx 124 million people. It is nevertheless called the growth engine of the economy. The basis stands of the five basic principles which forms the foundation for demand, infrastructural development, and optimum utilisation of supply chain management (input output circle) to give a robust economy. It is the government's bird eye project as The Prime Minister has considered it as the substratum for economic regrowth. In the past five decades, The Micro, Small & Medium Enterprises (MSMEs) has occupied a prominent place in the socioeconomic development of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. Moreover, this sector has over and over again registered a higher growth rate than the rest of the industrial sector. More than 6000 products are

manufactured by the MSMEs in India (Fourth Census Report, 2011). It is well understood that the MSMEs provide ample opportunities for both self-employment and wage employment. Performance of MSME sector has had a direct blow on the growth of the national economy. It has been recognized by Government of India since independence that small scale industries develop part of their significance from their prospective value for the employment of trained and educated persons. P.C. Mahalanobis, the author of the draft framework of the second five year plan (1956-1961), stated that small scale industries are particularly best suited for the attainment of local self-adequacy in respect of certain types of goods. He further quoted out that "In view of the meagerness of capital resources there is no possibility in the short run for creating much employment through the factory sector. Now consider the household and cottage industries. They require very little capital". It is therefore established that Small-scale industrial sector plays a dominant role in the economic development of the countries. Small scale industries require acumen skills in harnessing inputs, innovating and imitating

production techniques, reducing cost, undertaking risk bearing activities, maintaining quality, and escalating horizons of market.

LITERATURE REVIEW

A considerable amount of research has been devoted on the various facets of small scale industries to get an insight about the functioning, general framework and their contributions on assorted fronts. The cited published work of various authors have sought to identify distinct and varied aspects of small scale industries like, role of government, banks, financial institution industrial policy, determinants for competitiveness, prospects and constraints faced by small enterprises finance, working capital management, entrepreneurial development, marketing problems, innovation etc. It has been observed by different authors and researchers that in India Small Scale Units have implicit significance in the creation of employment. Despite concessions and relaxation in norms, SSI faces bottlenecks due to inadequate access to finance, lack of right of entry to interstate and international markets, united right to use to secondary market instruments. Presence of fragmented market, absence of forward and backward linkages for production and sales and lack of awareness of global best practices necessitated the need for improved marketing practices. Moreover Liberalization has uncovered all industrial units including small units to market rivalry to a greater extent; globalization intensifies market competition by allowing imports and MNCs into India relatively early. In order to survive competition, the small industries need to pick up their output, quality, competence and reducing cost of production and marketing [1]. It was originated that the reservation strategy of specific products for limited manufacture by small scale industries had not served much purpose as most industrialization had occurred in items not reserved for small

scale industries [2]. The committee set up by SIDBI, 2007, reviewed and recommended that there should be greater partaking of banks in the affairs of their constituents by junction of both credit and non-credit services. Along with the differentiated products banks should provide counseling and direction to new and established business in form of technical and marketing support. Government program are unstructured and vague, and fall short of delivering the outputs. The role of business environment and employment growth across the firms, paying attention on four areas namely access to finance, business regulations, corruption, and infrastructure. The findings suggested that controlling for endogeneity factors revealed that small firms get advantage most from right of entry to finance, particularly because sources of finance were associated with investment and growth. Government of Punjab and CII organized a summit "Destination Punjab" which recommended that government should take prime attention on policy issues, enhancing effectiveness, competitiveness and mounting business opportunities for industry through a range of specific services and global linkages. This necessitates the enterprise to think strategically on determinants influencing the competitiveness of this sector. To abridge this gap, the present paper has been designed to study An Investigation of Competitive Factors In Context of MSME for Atam Nirbhar Bharat in Punjab with particular reference to Amritsar, Ludhiana, Jalandhar and Sangrur districts based of maximum concentration industry.

OBJECTIVES

The objectives of this paper are to:

- To determine the influence of challenges and threats faced by MSME in Punjab.

- To determine the influence of strengths and opportunities faced by MSME in Punjab.

RESEARCH METHODOLOGY

Primary and secondary data is the base of this study. The primary information is collected through structured questionnaire and the secondary data is collected from published sources of government like statistical abstract and economic surveys for the said period. Total sample of 500 units is taken by giving proportional representation to the four districts. Namely Amritsar(125), Jalandhar(125), Ludhiana(190) and Sangroor 60) based on concentration of industry. The internal consistency has been verified by applying Cronbach alpha. The adequacy of data is checked through Kaiser-Meyer-Olkin, measure of sampling adequacy (KMO-test) which varies from 0 to 1.

ANALYSIS AND DISCUSSIONS

Factors Influencing The Challenges And Threats

In pursuit of determining the efficacy of the government's initiative by devising such policy measures which would allow the SMEs' competitive strength, take in hand the issues and challenges and get in the benefits of the global market, the researcher attempts to undertake SWOT analysis. The urge is to identify and quantify the strategic goals of small scale sector with regard to its development, its market and competition.

The Factor Analysis has been performed on various factors determining the challenges/weaknesses of the small scale sector. The Kaiser-Meyer-Olkin measure is shown that the sample is adequate and the Bartlett's test of adequacy tests the sphericity of data as the value arrived at is 0.859 (Table no.5.1) which lies between 0.8 to 0.9 and is recommended great by Kaiser (1974). Furthermore the variance accounted for by the extraction of

communalities as termed as Eigen value. The exhibit reveals that the data could be identified into nine factors above +1.0 levels amongst twenty nine listed factors.

The Principal Component Analysis is performed to identify those few factors that can synthesize most of the total information contained in the original. It depicts that the first factor is loaded with factors like availability of cheap imported goods, non-imposition of anti-dumping duties, high cost of land, entry tax on goods and high cost of industrial waste. These factors relate to the policy making and could be termed as regulatory factors. Presence of imported goods, without anti-dumping duties in an industrial regime which is perceived to be non industry friendly by small scale industrialists not only hurts the local industry, but also go down unfavorably with potential investors who may be contemplating investment in the State. The analysis further shows that second factor is loaded with challenges like high transportation, taxes, shortage of power, bottlenecks in financing and delay in government clearance. These factors could be summed up as sustenance factors. An entry tax on industrial raw materials in the state means that the cost of production of all units will rise and their competitiveness is further eroded. The third factor shows load on poor availability of infrastructure, raw material supply and presence of high interest rates which could be regarded as procedural and infrastructural hindrance. All the said factors undermine the competence of the industry. The next load is represented by variable like corruption, high power tariff, lack of cluster formation and ineffective government policies which together forms administrative inefficiencies. Fifth load is characterized by lack of trade associations, shortage of water, change in technology and high advertisement cost prevalent in the state. This is followed by shortage of labor and high wages. Punjab experiences migratory labor from Bihar and Uttar Pradesh. Successful implementation of MANERGA scheme has led to shortage

of labor which in turn has increased the cost. The seventh factor is loaded with business non registration and Tax holiday in neighboring states. The fiscal concessions which are granted by the Government of India to the neighboring hill states have led to a pressure group of industrial activity away from Punjab to these states and creating an impact towards non registration. Furthermore bureaucratic environment, directorial delays, unconcerned approach of the government officials and blatant corruption emerge as important messages from interaction with the small scale entrepreneurs of Punjab.

Finally, the last and ninth factor shows load on non availability of rail freight corridor and inflation. It is observed that the road infrastructure is certainly not good enough for an industrial take off. Along with strengthening, widening and extending the road network, construction of the dedicated freight corridor by the railways and the inter-state network of the national highways is required. A general improvement in the state highways and road linkages will also change the medium term scenario for industry in Punjab.

TABLE 1. Factor Analysis of Challenges/Threats of Msme

FACTOR GROUPS	FACTORS	EIGEN VALUE	PERCENTAGE OF VARIANCE	FACTOR LOADING	KMO	CHI VALUE	SIG
	CHALLENGES/THREATS				0.859	4352.964	.000
Regulatory Factors	Availability of Cheap Imported Goods	6.750	23.27	0.71			
	Non Imposition of Anti-Dumping Duties			0.704			
	High Cost of Land			0.683			
	Entry Tax on Goods by other States			0.628			
	High Cost of Industrial Waste Management			0.484			
Sustenance Factors	High Transportation Cost	2.690	9.277	0.707			
	High Taxation and Complex Regulations			0.699			
	Shortage of Power			0.618			

	Bottlenecks in Bank Financing			0.529			
	Delay in Government Clearance			0.492			
Procedural and Infrastructural obstruction	Poor Infrastructure Facilities	1.706	5.883	0.751			
	Raw Material Availability			0.744			
	High Rate of Interest			0.719			
Administrative Inefficiencies	Corruption	1.504	5.188	0.787			
	High Power Tariffs			0.611			
	Lack of Cluster Formation			0.512			
	Ineffective Government Policies / Schemes			0.484			
Linkage hindrance	Lack of Trade Associations	1.329	4.584	0.723			
	Shortage of Water			0.605			
	Change in Technology			0.589			
	High Advertising Cost			0.549			
Labour Impediment	Shortage of Unskilled / Skilled Labour	1.089	3.757	0.724			
	High Wages			0.676			
Policy Impediments	Non Business Non-Registration	1.022	3.524	0.797			
	Tax Holiday in Neighboring States			0.552			
Irrepressible Factors	Bureaucracy	1.011	3.485	0.817			

	Non Availability of Rail Freight Corridor			0.557			
	Inflation			0.434			

Source: Data collected through Questionnaire

Factors Influencing the Strengths And Opportunities

Furthermore, the researcher attempted to evaluate the comparative strengths and opportunities enjoyed by the MSME. It is admitted that MSME sector has made considerable contributions in employment generation by less capital exhaustive and high labor inclusion nature. The core capabilities and competencies could be identified in three main categories namely

- The impact of physical resources,
- Resources bestowed by government and
- Augmenting resources employed by MSME sector to enhance its capabilities.

In order to explore the consolidated perceptual dimensions related to strengths and opportunities of MSME (as expressed by the expectation scores on 19 variables), exploratory factor analysis has been performed. As depicted in Table 2, while applying Bartlett's Test of Sphericity the KMO value arrived at 0.813 with level of significance .000. It confirms the adequacy of data for Factor Analysis. In the process, initial eigen values and eigen values after extraction are generated which measures the amount of variation in the total sample accounted for by each factor. Hence forth six major factors have been identified having relative importance in determination of competencies of MSME in Punjab.

The variables were chosen to represent the strengths/opportunities possessed by a MSME in present competitive business environment depicts the result drawn. It identifies six important underlying components which are most correlated. First factor seem to relate with Core

competencies. It includes load on variables like Quality Product, Skilled Labor, Competitive price and Infrastructure Facilities. It conveys that small firms consider amongst variables the above mentioned variables as conditional factors which help them to groom and flourish. The next load finds in variables like Research and Development, Inventory Management and After Sales Service. It means that after concentrating on core competencies the entrepreneurs focus on research and development to improve product performance and caters services to the customers in form of post sales keeping inventory cost intact so as to manage the liquidity position because of the total cost 70percentages remains blocked in raw materials or inventory. Thus, in totality these variables could be termed as associated competencies. The third main category is identified with weight on factors like customer loyalty, government policy, financial resources, raw material resources and goodwill of the firm. It intercepted that small scale industries further identifies niche strategies for themselves as they identifies the boundaries of their area of operation for their sustainability so these factors could be termed as sustainability variables. The fourth factor finds its identification with variables like Cluster Formation/Trade Associations, Transnational linkages and Advanced Technology. It means that it caters to craft niche for itself to become sophisticated global players in a narrow product line. Therefore these factors could be termed as positional indicators.

The fifth load is characterized by network strategy focusing on distribution network and industrial areas in which work and co-

operation with other firms is maintained by SMEs. Finally, the last factor is signified with the presence of brand image and effective marketing. It means that Small scale industries weigh lastly the importance of Brand orientation. In the process, interaction with mark customers is aimed at by achieving lasting competitive advantages.

To reduce the list of variables, factor analysis proved useful tool. The analysis revealed that small scale entrepreneurs are mostly influenced by their core strengths which prompt the revenue generating activities. A better focus on brand distinctiveness would further provide a direction for planning and a guide for implementation from on issues which

would ensure an increased customer loyalty and the perspective of widening the pool of potential clients. It is deciphered that the future of small-scale enterprises, will depend on their ability to adapt to changing markets, hi-tech improvements, transition from the informal to the formal sector and adaptability towards the value chains system in which they take part. An objective view of what small-scale enterprises can and cannot do would help to set their goals in the world of dynamism. The thrust is to nurture and promote entrepreneurship and to provide a favorable setting for small-scale enterprises to enlarge on their own competence to rule the market.

TABLE 2. Factor Analysis of Factors Determining Strengths/Opportunities For MSME

FACTOR GROUPS	FACTORS	EIG EN VAL UE	PERCEN TAGE OF VARIAN CE	FACT OR LOAD ING	KM O	CHI VALU E	SIG
	Strengths/Opportu nities				0.813	2175.23 1	.000
CORE COMPETE NCIES	Quality Product	4.789	25.204	0.712			
	Skilled Labour			0.684			
	Competitive Price			0.676			
	Infrastructure Facilities			0.610			
Associted competencie s	Research and Development	1.666	8.769	0.696			
	Inventory Management			0.693			
	After Sale Service			0.640			
Sustainabilit y variables	Customer Loyalty	1.347	7.088	0.720			
	Government Policy			0.684			

	Financial Resources			0.554			
	Raw Material Sources			0.496			
	Goodwill of Firm			0.436			
Positional indicators	Cluster Formation / Trade Associations	1.273	6.669	0.809			
	Transnational Linkages			0.677			
	Advanced Technology			0.474			
Network indicators	Distribution Network	1.077	5.667	0.750			
	Focal Points / Industrial Areas			0.667			
Image indicators	Brand Image	1.046	5.503	0.840			
	Effective Marketing			0.625			

Source: Data collected through Questionnaire

CONCLUSION AND SUGGESTIONS

Hence forth, is it interpreted on the basis of empirical studies and the present research that the master key to all problems lies in developing and creating ample opportunities for the sustainability of the MSME. Providing dynamic environment through creation of domestic and more specifically global markets will help them march towards excellence. For further development, easy access to international markets and internationalization is a tactical instrument for their competitiveness. Way in to global markets can also offer a horde of business opportunities, such as new function markets; possibilities to utilize economies of scale, extent volume and technological advantages; the upgrading of technological potential, ways of spreading risks; lowering and sharing costs, and affording improved access to finance. Recent research findings depict that exporting is not the end of a

sturdy growth process. The foremost aim of a competitiveness approach is to improve the structural position of the country in the worldwide economy by advancement in current actions and incorporating innovative skills. A nationwide hallucination should be based upon an accord among the national stakeholders. Taking into consideration the strengths and weaknesses of existing policies, this should begin at the macro-, meso- and micro-levels. Then policies and programmes should be designed that contribute to increase the value-added of national production.

The solution lies towards the revival strategies to combat all kinds of challenges. The Upliftment could be sought by making striking policies for industrialists to invest, encouraging private as well as government participation in industrial and social development, creating industrial responsive atmosphere for industry and developing

indispensable infrastructure and technology in the state. These initiatives would prompt the impetus towards the development and encourage the role of marketing in this sector and will be show significant contribution in the overall development of Punjab particularly in Amritsar, Jalandhar and Ludhiana and Sangroor district.

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