

Factors influencing the performance of SSIs in Krishna District, Andhra Pradesh

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Abstract:

Small and medium scale units are labour intensive and have positive capital-output proportion and most of the jobs are created through SMEs and self-employment. Small enterprises have flexibility to make fast adjustment with changing financial atmosphere. SMEs have become essential element of economic growth. The purpose of this study is to investigate the factors that influence the performance of small-scale industries in Krishna District, Andhra Pradesh. The research method used in this study was a survey. A sample of 100 entrepreneurs was selected using purposive sampling method. Questionnaire method is adopted to collect information. The collected data has been classified and analyzed with the help of mathematical and statistical tools. The findings of the study indicate that the performance of the small scale industries in Krishna District, Andhra Pradesh was directly or indirectly influenced by both internal and external factors and recommendations are made accordingly.

Key words: Performance, Small Scale Industries (SSIs)

Introduction:

The importance for Small-Scale Sector comes from two basic premises of economic development policies viz., the 'balanced' development and 'sustainable' growth of the economy. In Indian economy as a primary sector, agriculture is depending on the monsoon, such that diversification has to be in the direction of industrial sector in general and small-scale sector in particular. Small and medium scale units are labour intensive and have positive capital-output proportion and most of the jobs are created through SMEs and self-employment. Small enterprises have flexibility to make fast adjustment with changing financial atmosphere. Small Scale Industries have more flexible generation plans, and can work closer to rural homes when compared to bigger units and therefore serve as an important entrepreneurial source among backward people particularly in women in developing countries.

Entrepreneurship does not work in a vacuum. There are several factors influencing the performance of SSIs which are directly or indirectly creating problems towards sickness of SSIs.

The State Government of Andhra Pradesh has produced an Industrial Investment Promotion Policy 2010-15 with arranged Incentives/Concessions to new industries situated in the State. The Government is endeavoring towards improvement of value base and in addition friendly industrial environment inside of the State in making Andhra Pradesh a decent searching spot to go for both outside and household investors. As a major aspect of assistance through e-Governance, eight administrations for that endorse of industrial motivating forces identifying with Industries Department are brought under "Mee- Seva" with effect from 15 July 2013. Uncommon accentuation rises for foundation and improving creation limits of Micro, Small & Medium Enterprises with gigantic career potential. So as to make friendly environment for the investors, Government of Andhra Pradesh is viably actualizing Single Window Act and masterminding different industrial clearances in the set time period.

In Krishna District, various institutions such as commercial banks, IDBI, Regional Rural

Banks (RRBs), Private Banks, and co-operatives banks provide finance to small-scale industries and Village Industries. In this district region, there are so many resources are available for industrial development.

Objectives of the Study:

1. To identify the factors influencing the performance of SSIs in Krishna district
2. To suggest how to improve the accessibility of funds of Banks and other financial institutions to SSIs.

Limitations of the study

1. The data published by different organizations on particular issues for a given period of time have not been uniform.
2. Most of the respondents hesitated to discuss items touching on finance.

Methodology

The data has been collected from primary sources and secondary sources. The research method used in this study was a survey as a primary source. A sample of 100 entrepreneurs was selected using purposive sampling method. Using personally administered questionnaire, data was collected from SSI managers or owners. The collected data has been classified

and analyzed systematically with the help of mathematical and statistical tools.

Significance of the study:

Investor's education and awareness is perhaps the best insurance against unscrupulous players. Resources mobilized through the small investors will become the engine of economic growth in India. The findings of this study may help entrepreneurs to be cautious with the influencing factors and to improve the effectiveness in performance so that SSIs may improve the accessibility of funds from financial institutions.

Literature Review:

SMEs are attractive to most people because they are labor intensive, require the low initial capital and there is ease of entry (Wickham, 2000). Sickness in an industrial unit, however, cannot be attributed to a single factor alone. It is a cumulative effect of many factors, which may be inter-related or independent of each other. It would, therefore, be difficult to recognize a particular factor responsible for a particular sick unit, (Chakraborty, 2002). With the advent of an era of liberalization and globalization, the small-scale entrepreneurs are facing an acute competition (Mittal and Batra, 2004). Genuine entrepreneurs are underprivileged in terms of

inaccessibility to certain business (Rahman and Das, 2005). The most of entrepreneurs are completely unaware about requirements for making better feasibility reports. Many projects were sick by birth because of inadequate feasibility reports regarding the demand of product in various markets, wrong choice of technology, improper forecasting of financial requirements, delayed in supply of plant and machinery or in their installation or release of funds by financiers (Junejo, Rohra and Maitlo, 2007).

Results and Discussion

Factor 1 'social group of entrepreneurs' represents influential role of BC, SC and minority corporations are towards bringing innovative entrepreneurs in all backward social groups. Which results 30 percent of entrepreneurs are belongs to OBC, 30 percent belongs to SC and 15 percent belongs to minority group. However, ST category people are still in backward with 5 percent occupancy only. So, it is necessary to groom up and create awareness among them to bring competitive spirit among them.

Factor 2, every one often feels entrepreneurship is an inheritance of their family. In fact it is true in some cases but not in all cases. It is proved that family background influenced people are

getting encouraged and motivated to shift their line of career. 30 percent of the entrepreneur's background belongs to 'business' and 15 percent belong to 'industry' which is indicating inherited in establishing industries. 30 percent of entrepreneurs are from 'service' and only 20 percent belong to agricultural backgrounds who were self-motivated to establish the industries. In most of the cases, irrespective of the family background, involvement of the family members is limited and it is proved that only 30 percent of respondents were positive in family member's involvement and that to involvement is in 'financial assistance'. And 70 percent of respondents said family member involvement is 'nil'.

Factor 3, Education develops cognitive skill in a multi-dimensional way indeed. Here, 40 percent of people are graduated, 20 percent of people are post-graduated and 12 percent are related to technical; these people are considered knowledgeable because these people can understand the policies of government, impact of market situation and can establish own strategies to face the challenges. The remaining are 8 percent of elementary group and 20 percent of SSC/intermediate group who can operate their establishment with their experience and by taking assistance from professional.

Factor 4, the premises used by the entrepreneurs irrespective of whether machinery based or man power based industry. 80 percent of the entrepreneurs are preferred Hired premises, 10 percent preferred own premises, 9 percent are using residence-cum-work shed and only one percent using the premises built by an institution. It is a considerable point in both ways; first one is a charge against the profits another one is availability of infrastructural facilities.

Factor 5, No enterprise established without capital. Capital acquisition is important however capital formation is also having equal importance by way of tax payment risk and loan repayment risk. However, 68 percent of the respondents are acquired their capital through the borrowings and 32 percent of the respondents are depended on own capital.

Factor 6, during the study it is observed that 70 percent of the industries were Machinery based and 30 percent were manpower based industries. Machine cannot run on its own. So, in both cases man power is required. Personnel appointed are treated as the assets for SSIs who work effectively. However, generally personnel appointed on the basis of training. But in reality it seems different. 65 percent of the SSIs were appointed personnel without any training and 35 percent of SSIs were appointed personnel (i.e.,

professionals/experienced) who got trained in various institutions.

Factor 7, before establishing SSIs it is necessary to do market research to know where the potential customers are available. Own efforts get good results only if we possess good selling abilities, but own outlets are bit expensive, however, 63 percent of represents were choose to put their own efforts, 18 percent were depended on specific major parties and 19 percent were linked with other programs. Without sales no revenue can be generated, so, entrepreneur must choose best alternative to make sure of smooth running of working capital cycle. Indian Institute of Entrepreneurship is an autonomous national institute established by Ministry of MSME. The activities of the institute include identification of training needs, designing and organizing programmers both for development functionaries and entrepreneurs; evolving effective training strategies and methodologies for different target groups and locations; organise seminars, workshops and conferences for providing interactions and exchange of views by various agencies and entrepreneurs. It is essential to know how far such training programs are being useful. Lacking of Skilled labour and poor marketing skills are also affecting the performance of SSIs. And it is proved that 72 percent of the entrepreneurs were

not attended the training programs and 63 percent of entrepreneurs are depending on their own efforts for selling their products even though government and various institutions simplified such facilities.

Recommendations:

The study makes the following recommendations as:

1. A separate department is required like a customer care for the benefit of entrepreneurs. Such department should synchronize banks, other financial institutions, SSIs and other SSI supportive institutions and their contacts. It should also work like a counseling centre for SSI in all aspects.
2. SSIs should also maintain their own performance track record. So that, it make sense to the stake holders how constructively SSI is running and will act positively.
3. SSIs should safe keep documentary evidences for all transactions from the beginning. So that, it will be easier to get subsidies and tax benefits to revitalize from sickness.
4. Information is wealth indeed. Entrepreneurs should always maintain effective communication with banking

officials and other institutions like DIC etc., irrespective whether getting profits or losses. Because of this, entrepreneur will get updated with the new policies and new benefits as well as bankers will know their customers.

Conclusion:

The findings of the study indicate that the performance of SSIs in Krishna District is influenced by both internal and external factors. Among the variables education, training facilities, finance, marketing facilities and unit location are the fundamental items for the performance and development of small business and it should be given priority otherwise SSIs will become sick. For the purpose of revitalization of sick units, entrepreneurs must Finally it is very essential to identify the appropriate and most effective platforms for discussion, dissemination and action for enterprise education programmes.

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