



Sustainability and Management of Smes - A Case Study of Msmes Located in Dharwad District

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ABSTRACT

Well-managed and healthy SMEs are a source of employment opportunities and wealth creation. SMEs can constitute an important source of local supply and service provision to larger corporations. They usually have extensive local knowledge of resources, supply patterns and purchasing trends. Despite an elaborate and dynamic policy framework, the progress of Indian SMEs continues to be hindered by some of the basic constraints as poor credit availability, low levels of technology (hence, low product quality and limited exportability) and inadequate or no basic infrastructure, both physical and economic. It is too early to assess the impact and effectiveness of a plethora of new policy measures, announced very recently. (Keshab Das 2006). The paper is attempted to study and understand the needs of SMEs in the rural areas in Dharwad region.

Keywords : Micro enterprises, sustainability, small enterprises, SME Management

Introduction

The micro small and medium enterprises (MSMEs) have been accepted worldwide as the engine of economic growth and for promoting equitable development. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. (Report from Ministry of Micro, Small and Medium Enterprises Government of India).

As per available statistics (4th Census of MSME Sector), this sector employs an estimated 59.7 million persons spread over 26.1 million enterprises. It is estimated that in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country. Micro, small and medium enterprises (MSME) sector has been recognized as an engine of growth all over the world. The sector is characterized by low investment requirement, operational flexibility, location wise mobility, and import substitution.

The Government has been encouraging and supporting the sector by offering packages of schemes and incentives through its specialized institutions in the form of assistance in obtaining finance; help in marketing; technical guidance; training and technology up gradation, etc.

Objectives of the Study:

The objective was to know how MSMEs in rural areas around Dharwad region are working; the issues in management; the problems they are facing in the areas of financing, production, marketing, location etc. The study is based on the following objectives:

- To know about the management and working of MSMEs in this Region.
- To understand the common major problems faced by them.
- To check the awareness level in the SMEs about various programmes, schemes offered SMEs.

Methodology of the study:

50 small and medium enterprises were selected in Dharwad

district for the study. The personal interaction with the proprietors and Managers gave deep insight on the purpose of the study. The method adopted for the study is collection data through:

1. Primary Source: -
The primary sources of collecting data through the Questionnaire 50 sample SMEs and the interaction with entrepreneurs. The data collection took about 2 months to complete.
2. Secondary source: -
The secondary sources form the articles and the Govt reports and the Internet.

DATA ANALYSIS AND INTERPRETATION

1. Reasons For Starting The Micro Enterprises

The data reveals to us that 60percent of the enterprises are started with an intension to make money or earn profits. 50percent of the respondents strongly agree that they were wanting to be self employed rather than depending on anyone for their employment. There is a 50percent agreement and disagreement by the respondents about starting their enterprise with an objective of eliminating poverty. 70percent respondents say that they want to improve their standard of living by starting their enterprise. People with service motive, almost 80percent agree that they started their micro enterprise with help of NGO, Govt and SHG

2. Assistance Taken From the Government

From the data collected by me, 90percent people have not taken assistance from the Government and also indirectly it showing the assistance not reaching to rural people

3. Sources of Finance Used for Microenterprises

80percent people are started the enterprise by own capital hardly 10percent people are taken from SHG and Bank loan.

4. Awareness about Micro Finance

Above the graph showing that 40percent people know about the Microfinance and 60percent people are not known about the Micro Finance.

5. The Problems Faced By the Micro Enterprises

a) Financial Problems : The problems faced by the Microenterprises are as follows

- 60percent agree with the problem of less capital or that there is availability/funding very less.
- More than 60percent of the respondents show that they are having the ability to handle the capital. The other 40percent donot find them equipped in handling funds. Poor finance handling. This is the result of lack of training in handling finance, according to the respondents..
- 70percent of the respondents reveal that they are not aware about the facilities available to start a micro enterprise.

b) Production Problems

The Production problems faced by the Micro Enterprises are as follows

- 70percent people are agreeing that the Infrastructure problems impact the production.
- Unskilled Labor is also impact the production. 40 percent people are agreed that they are facing this.
- Getting skilled laborers are a problem faced by 80percent of the enterprises out of the enterprises for study. they believe that educated labors are not required for the business if the labor is educated they will demand more salary.
- 50 percent people are agreeing for availability of raw material is the problem for them.
- 20 and 30 percent people are Strongly agree and agree for the infrastructure facilities roads, water and electricity are problem for production.
- More than 60percent of the respondents say that the machinery used by them is not of advanced in technology as they cannot afford them. Therefore they suffer inefficiency

c) Marketing Problems

- Poor marketing Skills are a threat to the enterprises. If the production is marketed properly then only the firm will reap success and will be able to sustain. More than 50percent of the enterprises surveyed believe that they lack the skills in marketing.
- Poor packaging and branding lead to poor marketing of the product. 60percent of the respondents are happy with the kind of packaging done for their product.
- 70percent of the enterprises say that they need to still maintain proper standards for their product and the quality of the product produced by them is not up to the mark in quality. This becomes a serious concern. The firms need to be trained on quality control.
- There is mixed reaction towards market knowledge. This shows that small enterprises are negligent about the importance of market knowledge for sustaining.
- 50 percent of small enterprises are concerned about the logistics and transportation facility they have and they think need to improvise it.

6. Reasons for Setting up of their Micro Enterprise in this Village

- The villages surveyed around Dharwad are nearest location to Dharwad District. 80% of the enterprises are located for the reason of nearness to the market.
- 90% of the sample enterprises are located as there is ease in raw material availability. Be it cotton, jute etc..
- 70% small enterprises are located as there is demand for their product or the customers are located nearby or there is lack of completion around.
- 100% of the enterprises are located in their native place. Therefore we can assume that the decision to start up a small enterprise clearly depends on the residential or native place of the proprietor.
- There is no correlation between the location of their SHGs and the location of the small enterprise of their member. 90% believe so.

7. How Microfinance has helped the SMEs in achieving their objectives

- 40 percent SMEs agree that it helped them to make considerable profits.
- 40 percent people are strongly agree that microfinance is helping for development of self employment.
- 60 percent of MSMEs agree that own enterprise helps to eliminate poverty.
- 40percent people are agreeing that it helps to improve the standard of living.
- 50percent people are neutral about the service motive behind starting up an enterprise.
- 30 percent people strongly agree that it helps to maximize the capital to encourage enterprises

Findings and Conclusions

- From the analysis we found that majority of the small enterprises in rural areas, begin with the intension of getting self employed.
- It is been found in the research that micro enterprises have made a significant improvement in the standard of living of the people involved.
- From the analysis it is found that all the schemes and assistance are not reaching to the end users. Rural masses are still not aware of the government policies, programmes and assistances approved to MSMEs.
- Banks and SHG's are not used effectively for the development of micro enterprise due to lack of awareness yet.
- The micro enterprises are facing the problems of Finance with less funds available, increased cost of capital, poor funds handling capability, lack of knowledge about other sources of finance etc.
- The production problem includes infrastructure, un-skilled labor, high cost of labor, non availability of raw material and primary facilities.
- The marketing problems included lack of marketing skills and knowledge about the markets, poor branding and packaging, and transportation problems
- Micro finance helping for developing employment and standard of living.
- Micro finance has large scope of expansion as there is a need for the same.

The development of an efficient MSME lending environment requires that economic agents involved i.e. the lenders and borrowers should receive incentives to make correct economic choices. Available evidence suggests that in the case of lending to even larger small enterprises, these requirements are not always met. At the same time, government intervention is required for micro enterprises and smaller among small enterprises. Since in the normal commercial operation of the commercial banks, there is practically not much scope for this category of enterprises. This calls for a proper mix of policy support for lower segment and demand supply based credit policy for upper segment of MSME sector. Banks should also diversity the loan portfolio from existing production loan to include technology loan, marketing loan and cluster development loan. Some innovative instruments should be tried to bridge the financing gap. The sector needs proper attention since it has the potential to generate large scale employment and also emerge as the engine of growth.

While there is much merit in recognizing the relative advantages and disadvantages of participating in a fervent global market, it is equally important to take stock of the ground realities that indicates a poor and inadequate infrastructure base for SMEs; this situation is particularly worse in rural areas as even in small towns, where a major proportion of MSMEs function. Of the most vital infrastructure bottlenecks, access to adequate, reliable and reasonably priced power remains a challenge for SMEs progress and competitiveness. Further, poor transport network (whether roads, railways or ports) have emerged as important constraints to the development of SMEs in a dynamic fashion.

REFERENCES

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