



# Entrepreneurship Development of Small and Medium Scale Enterprises in Backward Districts of Andhra Pradesh

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**ABSTRACT**

Entrepreneurship is the most common phenomenon now days in the developed nations. An attempt is made in this paper to explore the small and medium enterprises problems in backward districts of Andhra Pradesh which includes Anantapuramu, Chittoor, Kurnool Srikakulam, Vizayanagaram and YSR Kadapa. Enterprises' problems across the value chain of their businesses have been studied. The problems covered includes; inbound logistic, operations/production, out bound logistics, marketing & sales, finance, infrastructure, human resource and technological problems.

**KEYWORDS**

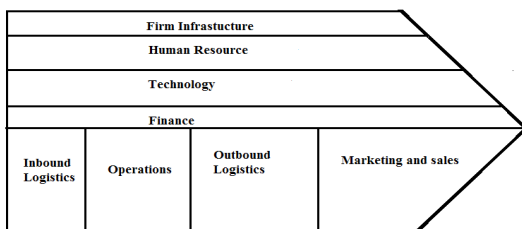
Entrepreneurship, Backward districts, Andhra Pradesh

**INTRODUCTION**

According to Porter, business achieves success through value chain. Value chain focuses on all the value addition activities of the enterprise. Hence, understanding the problems with respect to value chain has a great significance. Value chain includes the primary activities (Through which enterprise produce value for customers-inbound logistics, operations outbound logistics, marketing and sales and service) and supporting activities (These are supportive for primary actives- infrastructure, human resources, technology and procurement).

**Problems of Enterprises in Value addition**

Problems of Entrepreneurs in Value Addition



Source: Modified version of Porter's value chain

For the present study Porter's framework has been modified based on pilot study and studied the problems of small and medium enterprises in terms of includes inbound logistic, operations/production, out bound logistics, marketing & sales, finance, infrastructure, human resource and technology.

**METHODOLOGY**

Enterprises problems are assessed by using categorical scale (questionnaire). The categories include YES (Enterprise have problem) and NO (Enterprise don't have problem). Further, chi-square test is performed for testing relationship between problems and nature of enterprise. Chi-square value has been calculated through the following formula;

$$\chi^2 = \sum \left[ \frac{(O_{ij} - E_{ij})^2}{E_{ij}} \right]$$

$O_{ij}$  = Observed frequency of the cell in the i row and j column

(Given/Collected data)

$E_{ij}$  = Expected frequency of the cell in the i row and j column

(Need to calculate with the following formula)

$$\text{Expected frequency} = \frac{\text{RowTotal} \times \text{ColumnTotal}}{\text{GrandTotal}}$$

**DATA ANALYSIS**

Problems of small and medium enterprises in terms of inbound logistic, operations/production, out bound logistics, marketing & sales, finance, infrastructure, human resource and technology have been studied.

**Inbound Logistics Problems**

Enterprise value addition in business starts with inbound logistics. Inbound logistics refers to the transport, storage and delivery of raw materials coming into a business. Inbound logistics activities includes sourcing of raw materials, transportation of raw materials and warehousing of raw materials hence inbound logistics problems have studied with respect to sourcing of raw materials, transportation of raw materials and warehousing of raw materials. Table shows small and medium scale enterprises inbound logistics problems.

**Inbound Logistics Problems**

Status of enterprise	Inbound logistic Problems		
	Yes	No	Total
Small	214 (54.88)	176 (45.12)	390 (100)
Medium	65 (43.33)	85 (56.67)	150 (100)
Total	279 (51.67)	261 (48.33)	540 (100)

Note: Figures in brackets indicate the percentage to total.

Source: Primary data

The perusal of the Table reveals that, if all the enterprises are taken together, 51.67 percent of enterprise have the inbound logistics problems and 48.33 don't have the problems. In case of small scale enterprises, 54.88 percent have inbound logistics problems and 45.12 don't have the problems. With regard to medium scale enterprises, 43.33 percent have inbound logistics problems and 56.67 percent don't have the problems. On an overall basis, it may be said that inbound logistics problems are high in small scale enterprises compare to medium scale enterprises.

**Operations Problems**

In operations, organisation converts the raw materials in to output/ product/service. For converting the raw material into output/ product/service organisation has to do the inventory management, design of production process, deployment of work force, planning of production capacity and product quality, and plant maintenance hence small and medium scale enterprises' operations problems have been studied with respect to all of them. Table represents small and medium scale enterprises' operational problems. The perusal of the Table reveals that, if all the enterprises are taken together, 47.03 percent of enterprises have the operation / production problems and 52.97 don't have the problems. In case of small scale enterprises, 45.64percent have operation / production problems and 54.36 don't have the problems. With regard to medium scale enterprises, 50.67 percent have operation / production problems and 49.33 percent don't have the problems.

**Operations/ Production Problems**

Status of enterprise	Operations/ Production Problems		
	Yes	No	Total
Small	178 (45.64)	212 (54.36)	390 (100)
Medium	76 (50.67)	74 (49.33)	150 (100)
Total	254 (47.03)	286 (52.97)	540 (100)

Note: Figures in brackets indicate the percentage to total.  
Source: Primary data

On an overall basis, it may be said that operation / production problems are high in medium scale enterprises compare to small scale enterprises.

**Outbound logistic Problems**

Inbound logistics refers to the transport, storage and delivery of raw materials coming into a business. Outbound logistics refers to the same for goods going out of a business. In out bound logistics organisation perform two functions/ activities warehousing (finished goods) of products and transportation of products. Hence, small and medium scale enterprises outbound logistics problems are studied in terms of warehousing and transportation of product. Table represents small and medium scale enterprises' outbound logistics problems.

**Table :Outbound logistic Problems**

Status of enterprise	Outbound logistic Problems		
	Yes	No	Total
Small	190 (48.71)	200 (51.29)	390 (100)
Medium	60 (40.0)	90 (60.0)	150 (100)
Total	250 (46.30)	290 (53.70)	540 (100)

Note: Figures in brackets indicate the percentage to total.  
Source: Primary data

The perusal of the Table reveals that, if all the enterprises are taken together, 46.30 percent of enterprises have the outbound logistics problems and 53.70 don't have the problems. In case of small scale enterprises, 48.71percent have outbound logistics problems and 51.29don't have the problems. With regard to medium scale enterprises, 40.00percent have outbound logistics problems and 60.00 percent don't have the problems.

**Marketing Problems**

Enterprises' business success depends their marketing performance. Marketing problems have studied with respect to product, payments,distributors/ wholesalers/ retailers,promotion, competition,demand,legal problems with customers and export. Table represents small and medium scale enterprises

marketing problems, if all the enterprises are taken together, 69.07 percent of enterprises have the Marketing problems and 30.93 don't have the problems.

**Table :Marketing Problems**

Status of enterprise	Marketing Problems		
	Yes	No	Total
Small	265 (67.94)	125 (32.06)	390 (100)
Medium	108 (72.00)	42 (28.00)	150
Total	373 (69.07)	167 (30.93)	540 (100)

Note: Figures in brackets indicate the percentage to total.  
Source: Primary data

In case of small scale enterprises, 67.94percent have marketing problems and 32.06don't have the problems. With regard to medium scale enterprises, 72.00 percent have marketing problems and 28.00 percent don't have the problems. On an overall basis, it may be said that marketing problems are high in medium scale enterprises compare to small scale enterprises.

**Financial Problems**

One of the biggest challenges for enterprises is financial problem. Hence, financial problems are studied with respect to working capital, credit assistance, interest rates and fixed capital. Table represents small and medium scale enterprises financial problems.

**Table:Financial Problems**

Status of enterprise	Financial Problems		
	Yes	No	Total
Small	232 (59.49)	158 (40.51)	390 (100)
Medium	96 (64.00)	54 (36.00)	150 (100)
Total	328 (60.74)	212 (39.26)	540 (100)

Note: Figures in brackets indicate the percentage to total.  
Source: Primary data

The above table reveals that, if all the enterprises are taken together, 60.74 percent of enterprises have the financial problems and 39.26 don't have the problems. In case of small scale enterprises, 59.49percent have financial problems and 40.51don't have the problems. With regard to medium scale enterprises, 64.0 percent have financial problems and 36.00 percent don't have the problems. On an overall basis, it may be said that financial problems are high in medium scale enterprises compare to small scale enterprises.

**Human Resources Problems**

Human resource department of organisation focuses on recruitment, selection of employee, providing proper orientation and induction, providing proper training and the developing skills, assessment of employee (performance of appraisal), providing proper compensation and benefits, motivating, maintaining proper relations with labour and with trade unions, maintaining employees' safety, welfare and health by complying with labour laws of concern state or country. Small and medium scale enterprises human resource problems are presented in the Table.

**Table: Human Resources Problems**

Status of enterprise	Human Resources Problems		
	Yes	No	Total
Small	215(55.12)	175 (44.88)	390 (100)
Medium	103 (68.67)	47 (31.33)	150 (100)
Total	318 (58.89)	222 (41.11)	540 (100)

Note: Figures in brackets indicate the percentage to total.  
Source: Primary data

The perusal of the Table reveals that, if all the enterprises are taken together, 58.89 percent of enterprises have the Human Resource problems and 41.11 don't have the problems. In

case of small scale enterprises, 55.12percent have human resource problems and 44.88don't have the problems. With regard to medium scale enterprises, 68.67 percent have human resource problem and 31.33 percent don't have the problems.

**Technological Problems**

Now a day organisation without technological application is an out dated organisation. Along with the advantages to organisation they also create problems like awareness problems to employees, affordability and skills problems to organisation. Table presents small and medium scale enterprises technological problems.

**Table :Technological Problems**

Status of enterprise	Technological Problems		
	Yes	No	Total
Small	235 (60.26)	155 (39.74)	390 (100)
Medium	111 (74.00)	39 (26.00)	150 (100)
Total	346 (64.07)	194 (35.93)	540 (100)

Note: Figures in brackets indicate the percentage to total.  
Source: Primary data

The perusal of the Table reveals that, if all the enterprises are taken together, 64.07 percent of enterprises have the technological problems and 35.93 don't have the problems. In case of small scale enterprises, 60.26percent have technological problems and 39.74don't have the problems. With regard to medium scale enterprises, 74.00 percent have technological problem and 26.00 percent don't have the problems

**Infrastructure Problems**

Enterprises' value addition in their business depends on their infrastructure. Infrastructure covers power, roads and buildings. Table presents small and medium scale enterprises' infrastructural problems.

**Table: Infrastructure Problems**

Status of enterprise	Infrastructure Problems			
	Yes	No	Total	
Small	210 (53.85)	180 (46.15)	390 (100)	
Medium	80 (53.33)	70 (46.67)	150 (100)	
Total	290 (53.70)	250 (46.30)	540 (100)	
Chi-square Test	Calculated value 5.01	Degree of freedom 1	Table value (5%) 5.99	Decision H <sub>1</sub>

Note: Figures in brackets indicate the percentage to total.  
Source: Primary data

The perusal of the Tablereveals that, if all the enterprises are taken together, 53.70 percent of enterprises have the infrastructure problems and 46.30 don't have the problems. In case of small scale enterprises, 53.85percent have infrastructure problems and 46.15don't have the problems. With regard to medium scale enterprises, 53.33percent have infrastructure problem and 46.67 percent don't have the problems.Further, the following hypothesis has been formulated for exploring the relationship between status of enterprise and technological problems.

**H8: There is a significant relationship between status of an enterprise and infrastructure problems.**

**H0: There is no significant relationship between Status of an enterprise and infrastructure problems.**

Hypothesis has been tested with the help of independent chi-square test. The results are furnished in the Table - 5.15.

**Table: Hypothesis on Infrastructure Problems**

Nature of enterprise	Infrastructure Problems			
	Yes	No	Total	
Small	210 (209.0)	180 (181.0)	390 (100)	
Medium	80 (80.6)	70 (69.4)	150 (100)	
Total	290 ( )	250 ( )	540 (100)	
Chi-square Test	Calculated value 0.11	Degree of freedom 1	Table value (5%) 5.99	Decision

Source: Primary data

A cursory look at the Table reveals that, there is a significant association between infrastructure problems and status of enterprise. This is so because the calculated value of  $\chi^2$  is 0.11, which is lesser than that of its critical value (5.99) at 5 per cent level of significance. Therefore null hypothesis is rejected and alternative hypothesis is accepted. It may be summed up that, finance problems differ with status of enterprise.

**FINDINGS**

If all the enterpriseare taken together, 51.67 percent of enterprise have the inbound logistics problems and48.33 don't havethe problems.In case of small scale enterprises, 54.88 percent have inbound logistics problems and 45.12don't have the problems. With regard to medium scale enterprises, 43.33percent have inbound logistics problems and 56.67 percent don't have the problems. With respect to operations if all the enterprises are taken together, 47.03 percent of enterprises have the operation / production problems and 52.97 don't have the problems. In case of small scale enterprises, 45.64percent have operation / production problems and 54.36 don't have the problems. With regard to medium scale enterprises, 50.67 percent have operation / production problems and 49.33 percent don't have the problems. With regards to outbound logistics if all the enterprises are taken together, 46.30 percent of enterprises have the outbound logistics problems and 53.70 don't have the problems. In case of small scale enterprises, 48.71percent have outbound logistics problems and 51.29don't have the problems. With regard to medium scale enterprises, 40.00percent have outbound logistics problems and 60.00 percent don't have the problems. As regards to marketing if all the enterprises are taken together, 69.07 percent of enterprises have the Marketing problems and 30.93 don't have the problems. With regards to finance if all the enterprises are taken together, 60.74 percent of enterprises have the financial problems and 39.26 don't have the problems. In case of small scale enterprises, 59.49percent have financial problems and 40.51don't have the problems. With regard to medium scale enterprises, 64.0 percent have financial problems and 36.00 percent don't have the problems. With respect to human resources if all the enterprises are taken together, 58.89 percent of enterprises have the Human Resource problems and 41.11 don't have the problems. In case of small scale enterprises, 55.12percent have human resource problems and 44.88don't have the problems. With regard to medium scale enterprises, 68.67 percent have human resource problem and 31.33 percent don't have the problems.If all the enterprises are taken together, 64.07 percent of enterprises have the technological problems and 35.93 don't have the problems. In case of small scale enterprises, 60.26percent have technological problems and 39.74don't have the problems. With regard to medium scale enterprises, 74.00 percent have technological problem and 26.00 percent don't have the problems. If all the enterprises are taken together, 53.70 percent of enterprises have the infrastructure problems and 46.30 don't have the problems. In case of small scale enterprises, 53.85percent have infrastructure problems and 46.15don't have the problems. With regard to medium scale enterprises, 53.33percent have infrastructure problem and 46.67 percent don't have the problems.

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