

PERFORMANCE OF MSMEs EXPORTS, RELATIONSHIP IN SALEM DISTRICT

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ABSTRACT

Micro small and medium Enterprises (MSMEs) in spite of having tremendous capability and significance inside the economy have no longer been capable of harness the blessings of internationalization and at the equal time have fallen brief in facing the demanding situations of globalised opposition. Moreover, proof indicates that MSMEs had been determined to face demanding situations in keeping impactful internationalization strategies and responding to market modifications over the years. One method which has been actively pursued by using internationally oriented players to address those challenges over the last few a long time and is considerably highlighted within the literature is exporting. At the same time as this strategy as an preliminary step closer to internationalization can also offer a great deal capacity, it additionally comes with sure troubles. This examine investigates the influential drivers of export-orientation in such the world over orientated small corporations. Blending the findings from the literature on internationalization with insights from the work on exportation illuminates the problem. At the same time as the research on internationalization directly discusses entry techniques and drivers of overall performance in such ventures, extrapolating the work on exportation similarly informs these aspects, and enhances the same through bringing to light additional factors to don't forget. To shed similarly light upon these aspects, a two-phased, in-intensity empirical research of the internationalization techniques and the factors that impact the export-orientation of MSMEs become conducted within the 5 most prominent and export pushed clusters inside the fabric industry in India. Qualitative analysis became used to inductively generate concept, even as quantitative analyses sooner or later examined the resulting hypotheses.

Key Word : MSMEs Sector in Export Relations

Introduction

This study consequently, examines the drivers of internationalization in export oriented micro small medium companies. Especially, the paintings afford a deeper expertise of internationalization behavior in the holistic angle of small corporations in the context of rising economy and their overall increase strategies. The have a look at further examines the variations in the approaches and tempo of internationalization of smaller corporations with in the production sector in an emerging economy: india. The study centered on micro small medium companies firms due to their identified importance inside the overall financial growth, employment advent, progressive potential and wealth creation in many economies. The study explores these factors thru a qualitative and quantitative empirical research of the export orientation drivers that affect the

internationalizing micro small and medium sized organizations, within the 5 maximum prominent clusters of fabric enterprise in Salem district.

Exportation: Importance In The Economy

There have been numerous studies published in the past few decades (Zou and Stan, 1998) on the determinants of export performance as well (see for example, Aaby and Slater, 1989; Bilkey, 1978; Chetty and Hamilton, 1993; Madsen, 1989). This large volume of publications is a strong

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testimony of the importance of the issue (Zou and Stan, 1998). Small firms face a strategic landscape (Francis and Collins-Dodd, 2000) in which rapidly changing markets and short product life cycles, combined with high product development costs and global competition, create turbulent business environments (Benkenstein and Bloch, 1993). Many small firms rely on export markets to achieve the rapid market expansion necessary to shorten the payback time on research and development costs. Firms also respond by establishing themselves in as many markets as possible before accelerating competitive pressures, close the opportunity window (Roberts and Senturia, 1996). Firms are driven to adapt, innovate, and adopt strategies, such as exporting, to survive (Francis and Collins-Dodd, 2000). Research in marketing, strategic management, and exporting suggests that a proactive export orientation contributes to export success (Francis and Collins-Dodd, 2000).

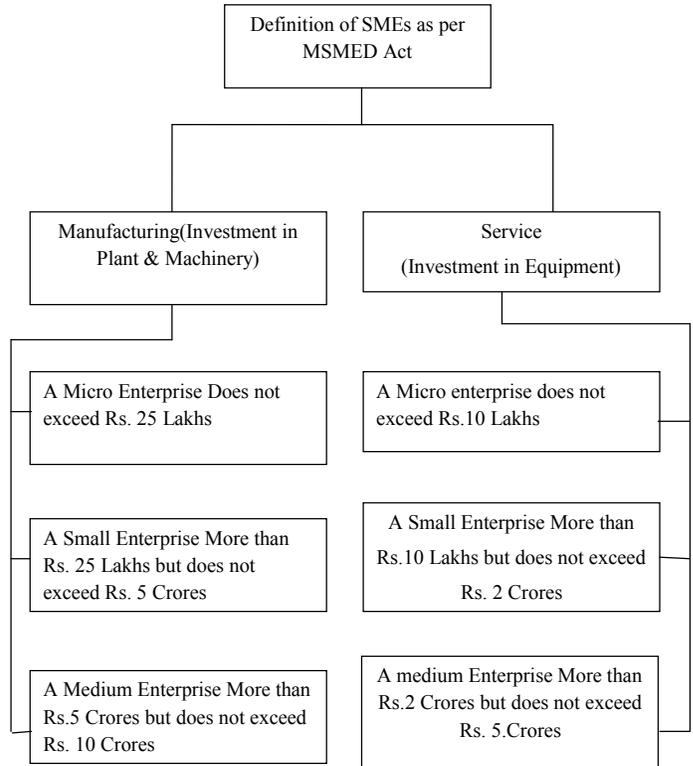
Micro Small and Medium Enterprises

Micro Small and medium enterprises (MSMEs) are playing an increasingly important role in the process of export-led industrialization in the emerging economies. They are the biggest group in terms of the number of industrial units in most developing nations and are significant contributors to manufacturing output and employment generation (Wignaraja, 2003). Underlying these achievements are MSME’s widely held advantages in income growth, entrepreneurial training, creation of technological capabilities, greater flexibility to changing market circumstances, job creation and lower wage inequality and dispersion of industry away from urban areas and regional development (Berry, 1992; Liedholm and Mead, 1999; Little et al., 1987; Weeks, 2002).

Although there is no generally accepted definition of a MSME, the way they are defined depends on the stage of economic development and the broad policy purposes for which the definition is used. According to a World Bank study, there are said to be more than 60 definitions of small and medium industries used in 75 countries surveyed. The most commonly used definitions relate to either size of employment and/or quantum of capital investment /fixed assets. In India the general definition of a MSME is based

on the “Micro, Small and Medium Enterprises Development Act, 2006”, which came into effect from October 2, 2006, which define MSMEs on the basis of investments in plant and machinery.

MSME sector plays a major role in India’s present export performance. MSME sector contributes 45%- 50% of the Indian exports. Out of total exports MSME direct exports from report for approximately 40% of total exports and about 15% to exports indirectly which mainly takes place in the course of merchant exporters, export houses and trading houses. It can also take the form of production of parts, components for use of finished exportable goods. Non-traditional products account for more than 95% of MSME exports.



It is important to note at the outset that the focus of this study is on the antecedent factors that affect the export orientation of Indian MSMEs; which could predict the internationalization process, patterns and performance outcomes of the MSMEs in the context of an emerging economy. Also, since the emphasis is on internationalization and export-oriented small firms, this

study aims to address unexplored gaps in the literature by examining the factors contributing to the export orientation of MSMEs in India.

Strengths and Weaknesses of Msmes in the Era of Liberalisation

Deregulating industrial sector, liberalising foreign investment and technology imports have been the most significant development in India since 1991. Globalisation has unfolded many opportunities and constraints for the MSMEs.

Strength

Exposure to foreign markets: Globalisation has opened up the economy and integrated it with the world economy. The MSMEs enjoy the benefits of selling their products and services to the world market rather than being confined into domestic market. The free economy ushers in accessibility to bigger markets, greater linkages with larger companies and marketing outfits, improved manufacturing techniques and processes.

Flow of foreign investment and technology: The MSMEs suffer from outdated technology and sub-optimal scale of operation. Many foreign companies have tied up with Indian MSMEs to help them with better technology, managerial skill. A proper collaboration between the small and large companies can help small firms to develop technology base through research and development activities, contribution from the technological institutes, universities etc.

Emerging areas of business: MSMEs have been able to identify many uncommon but highly promising business areas like outsourcing, medical transcription, clinical research trials, subcontracting and many new technologies like biotechnology, nanotechnology etc. The new generation MSME entrepreneurs are taking good interest in these areas.

Employment generation: Being labour-intensive in nature, the MSMEs make significant contribution in employment generation and expanding industrial network

in rural areas. This sector nurtures the traditional skills and knowledge based small and cottage industries. The workers inherit and transfer skills from generation to generation. The handicrafts and other products have good demand in market. As per the Annual Report of the Ministry of Micro, Small and Medium Enterprises, 2012-13 this sector has generated 101.26 million job opportunities.

Export contribution: The products of MSME sector (like sports goods, readymade garments, woolen garments and knitwear, plastic products, processed food and leather products, handicrafts etc) have an excellent foreign market. As per the Annual Report of the Ministry of MSMEs in 2012-13, this sector has registered an export earning of Rs 202017 crores.

Operational flexibility: Small industrial units enjoy some inherent advantages like low investment requirement, economies of scale, less managerial complexity etc. With the introduction of globalisation, MSMEs can access larger markets, superior technology, marketing methodology etc which can offer more flexibility to their operation.

Removal of Regional disparity: People from remote areas have the tendency to migrate to urban areas in search of jobs. This creates excessive pressure on urban areas and initiates social and personal problems. This problem can be addressed by setting up a network of MSMEs in economically backward areas. MSME sector can take care of local needs, improve economic condition of the area and most importantly, can bring a qualitative change in the economy of the country.

Better industrial relations: The MSMEs are less prone to industrial disputes. However, the truth behind the scene is that the workers in small sectors are mostly from unorganised sector and cannot raise their voice collectively. Thus apparently, they share harmonious relation with the firm owners.

Research Methodology

Primary data is collected from the Micro, Small and Medium Enterprises (MSMEs) in Salem district, by adopting stratified random sampling method. All the Micro, Small and Medium Enterprises in three revenue Divisions Salem, Omalur, Mettur, of Salem district. Belonging to different groups like Garments, and Silver, Agriculture in major Industries.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.729
Bartlett's Test of Sphericity	Approx. Chi-Square	767.487
	Df	36
	Sig.	0.000

Source: Computed from Primary Data

Extraction Method:

Principal Component Analysis Communalities

S. No	Factors	Extraction
1	Lower population of MSMEs in command area	0.614
2	Low demand for Investment credit from MSMEs	0.598
3	Business strategy not oriented for MSME credit	0.424
4	Skill sets more attuned towards non-MSME credit	0.577
5	It is a specialized Branch for MSMEs	0.237
6	The demand for MSME credit is better	0.907
7	The area is having a good MSME population	0.899
8	MSMEs are traditionally doing well in this area	0.853

Interpretation

The above table shows that a communality value, which is captured by the extracted factors Communality, can be defined as the proportion of variance in any one of the original variables. The history of the derived components is outlined in the Total Variance Explained table. It is noted that the first component accounts for the most variance 90.7%, the second accounts for the second greatest amount 89.9%, and so on.

Total Variance Explained

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Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation sum of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.962	21.800	21.800	1.962	21.800	21.800	1.818	20.195	20.195
2	1.702	18.906	40.706	1.702	18.906	40.706	1.698	18.866	39.061
3	1.201	13.345	54.051	1.201	13.345	54.051	1.250	13.894	52.955
4	1.089	12.097	66.148	1.089	12.097	66.148	1.187	13.193	66.148
5	0.945	10.497	76.645						
6	0.925	10.277	86.922						
7	0.7	7.774	94.696						
8	0.296	3.284	97.980						
9	0.182	2.020	100.000						

Extraction Method: Principal Component Analysis

Interpretation

Three components are extracted because Eigen values are > 1 . This means that 66.148% of the difference is being captured by the extracted factors together whereas the variable Elevators within the store exhibits a low communality value of 0.945. Together they account for approximately 66.148% of the variance. From the table it can be seen that 5 factors were extracted and retained. This implies that only 94.5 % of the variance in variable is captured by the extracted factors. The history of the derived components is outlined in the above table.

Rotated Component Matrix

S. NO	FACTORS	COMPONENT			
		1	2	3	4
1	Lower population of MSMEs in command area	0.118	0.045	-0.190	0.750
2	Low demand for Investment credit from MSMEs	-0.079	-0.027	0.141	0.756
3	Business strategy not oriented for MSME credit	0.039	-0.037	0.625	0.176
4	Skill sets more attuned towards non-MSME credit	0.130	0.031	0.746	-0.046
5	It is a specialized Branch for MSMEs	0.016	0.115	0.451	-0.140
6	The demand for MSME credit is better	0.951	0.024	0.043	0.008
7	The area is having a good MSME population	0.935	-0.017	0.155	0.027
8	MSMEs are traditionally doing well in this area	0.025	0.923	-0.006	0.022

Conclusions

Export plays an important role in the economic development of a country. In a developing country like India, to achieve faster economic growth, export becomes the main agenda and hence, trade liberalisation policies were implemented as a part of economic reforms in 2001. Since 2001, the introduction of export promotion policies has gained more importance. Manufacturing export was the main area of export promotion policies in India. Furthermore, manufacturing trade may have been influenced by increased trade integration with other countries. During the 2001's, structural adjustment policies were introduced, and this had a significant impact on export. The present study, thus, chose to analyse the liberalisation period and its impact on manufacturing export and its selected categories.

The study mainly concentrated on manufacturing goods export which contributed to 61.35% of India's export (DGCI&S, 2012). Most of the studies, based on the performance of the manufacturing sector, focused on the impact of trade liberalisation on manufacturing industries or firms, and the trend and pattern of manufacturing exports. Some of the studies underpinned the factors influencing the manufacturing export performance in India in the background of a time series frame. However, these export performance studies have not included variables such as exchange rate, GDP, trade openness, and relative price of importing countries. Similarly, the role of export and import elasticities in the trade performance of a country is important. This study has estimated the export and import elasticities of Indian manufacturing goods during the reform period in India. The performance of commodity-wise influence is crucial for understanding the importance and performance of broad sectors. In this study, an attempt has been made to fill these gaps in the context of manufacturing export in India after liberalisation.

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