



WWJMRD 2018; 4(1): 173-176
www.wwjmr.com
International Journal
Peer Reviewed Journal
Refereed Journal
Indexed Journal
UGC Approved Journal
Impact Factor MJIF: 4.25
e-ISSN: 2454-6615

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Swot Analysis to Reform MSMEs

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Abstract

The role of Micro, Small and Medium Enterprises (MSMEs) in the industrial sector is growing very fast. This research paper aims at analysing strength, weakness, opportunities and threat of MSME sector for the increased employment and GDP. A questionnaire was developed and administered to 163 randomly chosen MSMEs in peenya industry, Bangalore. The primary data collected through personal visits, email, and little through telephone calls. This study will help to analyse the strength and weakness of current business practices pursued by MSMEs in peenya industry using the available resources. The study also reveals the opportunities and threats to overcome by using various technological innovations. The study result suggests and concludes that industries need to reform their strategies to manage and control the threats in order to eradicate the weakness. Also need to strengthen the opportunities through more affordable technologies is important.

Keywords: Strength, Weakness, Opportunity, Threat, MSMEs, Employment growth

Introduction

MSMEs play a pivotal role in the overall industrial economy of the country. In current scenario MSME sector has consistently registered higher growth rate compared to the overall industrial sector. In globally, MSMEs have been considered as an engine of economic growth and as key instruments for promoting reasonable development. Also, these are playing a crucial role in providing large employment opportunities comparatively at lower capital cost than large industries. Simultaneously, they help in industrialization of rural & backward areas, which in turn, reduces regional disproportions, assuring more unbiased distribution of national income and wealth. It is therefore, essential that MSMEs should adopt a suitable analysis to identify and assess the framework that provides the required force to seize the opportunities and create an enabling business environment in order to keep the drives of growth and complete development. Similarly, it is important that the MSME sector must tackle the infrastructural deficiencies and is well authorized to meet the emerging challenges for its sustainable growth and survival in a globally over competitors. Hence, this study has taken SWOT analysis to be aware of all the elevations of MSMEs to attain sustainable growth.

Review of Literature

The entrepreneur is defined as the owner of a business enterprise who takes the initiative and the risk to raise benefit. The other definition state an entrepreneur is someone who does a combination of resources and someone who has the ability to identify and evaluate business opportunities, gather the resources needed to get the benefit of them and initiate appropriate action to ensure success (Tiernan et al., 1996; Hill & Leitch, 2005).

According to Johnson and Scholes (1994) the aim of SWOT analysis is to identify the extent to which the current strategy of an organization and its more specify strength and weakness are relevant to, and capable of dealing with the change taking place in the business environment. Entrepreneurial competencies are carried by individuals, the entrepreneurs who begin or transform organization and who add value through their organizing of resources and opportunities (Bird, 1995). Johnson and Winterton (1999) observe that the range of skills and competencies required to run a small firm are qualitatively as well as quantitatively different from those needed in larger organizations.

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Some of the existing literature (e.g. Saleh & Ndubisi 2006), highlighted many challenges facing the SMEs, such as the lack of financing, low productivity, lack of managerial capabilities, lack of access to management and technology as well as heavy regulatory burden. In the context of this study, according to Gomez and Jomo (1997), since 1980s, the government policies tended to assist larger businesses rather than the smaller companies. Larger, politically well-connected enterprises have enjoyed better access to tenders. In addition, commercial banks have also been more inclined to provide credit to large establishments. These and other problems have restricted the ability of small businesses to accumulate capital, in turn limiting their voice and political influences, and subsequently, access to government patronage. Lack of technological capacity and skilled labour, market limitations and competition have also kept their turnover and profit low, thus inhibiting their ability to grow (Diana Eraviaa et al., 2014).

Research Methodology

This research adopts simple random sampling method to choose the 163 industries as a sample. Also the present study uses both primary and secondary data sources. Secondary data were collected from published and unpublished reports, books, journals and electronic resources. The primary data collected through structured questionnaire with 43 questions and also the researcher adopts discussion method to obtain and clarify the answer consistently. Hence, the present study used qualitative data. The collected primary data were analysed using SWOT analysis. SWOT analysis is a strategic method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a business mission. It involves identifying the internal and external factors that are favourable and unfavourable to achieve the above mentioned objective. They are explained below.

Strengths are the characteristics of the business or team that give it an advantage over others in the industry.

- Weaknesses are characteristics that place the firm at a disadvantage relative to others.
- Opportunities are external chances to make greater sales or profits in the environment.
- Threats are external elements in the environment that could cause trouble for the business (Manju Prava Das, 2017).

Objectives

1. To identify the strength, weakness, opportunity, and threat of selected companies in peenya industry.
2. Provide suitable suggestions to generate employment and increase GDP.

Analysis and Interpretations

The selected companies, who participated to this survey, were given a questionnaire related with SWOT analysis questions and then they were asked to show their opinion in current scenario. Respondents has given the factor which is agreeable to "strongly agree" gave "5" for that factor and for other items they have given which is not agreeable to "strongly disagree" gave "1". Hence, the result was shown in Table 1, Owners management

Closeness to market, In expensive labor, Favorable capital output ratio, Co-operation from employees, Lack of trained workers, Lack of technical superiority, High percent of

absenteeism, Lack of quality consciousness, Lack of infrastructure facilities, Lack of long term strategic focus, Government support, Excise relief, Reservation of product items by govt, Ancillary for large business, Financial stringency, Technological obsolesces, Competition from large and multinationals, Negligence towards industrial training, Increase in price inputs are the factors taken for the SWOT analysis in this present study. In that, financial stringency, Government support, Competition from large and multinationals, Lack of quality consciousness, Reservation of product items by government, Owners management, High percent of absenteeism, and Exercise relief became the top five factors

Table 1: Swot Analysis

factors	N	Mean	Std. Deviation
Strength			
Owners management	163	1.80	0.824
Closeness to market	163	1.46	0.524
In expensive labour	163	1.66	0.782
Favourable capital output ratio	163	1.69	0.792
Co-operation from employees	163	1.58	0.545
Weakness			
Lack of trained workers	163	1.47	0.795
Lack of technical superiority	163	1.43	0.784
High percent of absenteeism	163	1.51	0.821
Lack of quality consciousness	163	1.56	0.851
Lack of infrastructure facilities	163	1.34	0.608
Lack of long term strategic focus	163	1.39	0.673
Opportunity			
Government support	163	1.38	0.858
Excise relief	163	1.37	0.819
Reservation of product items by govt.	163	1.35	0.829
Ancillary for large business	163	1.28	0.680
Threat			
Financial stringency	163	1.25	0.865
Technological obsolesces	163	1.22	0.797
Competition from large and multinationals	163	1.21	0.852
Negligence towards industrial training	163	1.11	0.768
Increase in price inputs	163	1.11	0.766

Hence, the result disclosed that all the factors included in the present study have got the satisfying mean value. It depicts that all the factors are considered by the respondents and taken for SWOT analysis which may help for further computation.

Findings and Suggestions

From the above findings it is clear that the most encouraging strength of companies in peenya industry is owners' management, favourable capital output ratio, and inexpensive labour. Likewise, the underlying weakness identified is lack of quality consciousness, high percent of absenteeism, and lack of trained workers. As well, the opportunities observed are government support, reservation of product items by government, and exercise relief. Finally, the threats recognized are financial stringency, competition from large and multinationals, and technological obsolesces. Therefore, the following possible suggestions are drawn out. They are,

Strength of MSMEs

1. The result discovered that the owners' management has scored highest mean value, followed by favourable capital output ratio, inexpensive labour, co-operation from employees, and closeness to market. This shows that owners' management provides flexibility and comfort. This facilitates ease of cost control and managing overall operational issues. Specifically owners' need to get close market feel and adaptability to gain rapid responses to changing market needs which develops business strength.

Weakness of MSMEs

2. From the side of weakness, the result revealed that lack of quality consciousness is highest followed by high percent of absenteeism, lack of trained workers, lack of technical superiority, lack of long term strategic focus, lack of infrastructure facilities. Lack of quality should overcome by developing and acquiring quality standard products. MSMEs need to upgrade their product and service in terms of quality, to match with the international standards. To occupy a formidable position in the global market, the offerings need to be in accordance with the international standards. Likewise making strategic plan disciplines "beyond the weeds" from time to time. A plan often alerts inconsistencies that need to be managed. Example, lack of capital or other resources necessary to fund the growth projected. Planning gives solution is to determine what those areas of weakness are and then to develop a plan for dealing with those challenges. It often can be compensated for without a lot of time, effort or money. As well, Infrastructural lacking includes inadequate power supply, transportation, water supply etc. MSMEs cannot bear the cost of setting up independent power supply unit. They have to depend on irregular power supply from the electricity boards. Inadequate transportation system increases cost of production. Hence, this should overcome by enhancing the credit support from Government, NGO's cooperative banks etc. In addition, India has no shortage of human resource, but most of labours are unskilled workers. Large firms ready to pay higher remuneration and spending high amount to employ skilled workers. But MSMEs have to operate with unskilled or semi-skilled workers. So they suffer from low managerial capabilities. This could be overcome by proper training and procedures offered to make them more capable to achieve. Likewise in terms of technology, only a small percentage of firms operating with sophisticated technology base whereas majority of firms use outdated technology. They suffer from low productivity and poor product quality. Due to their small size, they cannot enjoy large-scale production economies. Government offers few technology up-gradation programs for the MSMEs in the last couple of years. These programs have been initiated by the Ministry of MSME. The core aim of these initiatives is to help the small and medium enterprises upgrade their technology and enhance their production facilities. Thus, the owners of MSMEs need to aware of all these offers and schemes provided by the government and other parties for betterment.

Opportunities of MSMEs

3. The opportunities enjoyed in the present scenario by the MSMEs are government support, reservation of product items, excise relief and ancillary for large business. Keeping the weaknesses aside, MSMEs have access to opportunities like a number of bilateral and multilateral trade agreements have taken place, which opens the gateway to a great source of revenue for entrepreneurs/business owners. Likewise enhanced credit support with more and more government initiatives for their promotion are offered, hence entrepreneurs/ business owners can expect some relief in terms of access to credit facilities. In addition, with the arrival of digital era (internet), the access to newer opportunities has become easier and increased significantly. Some of the entrepreneurs have also used made a stand against monopolies & made a mark in the industry. Therefore, the emergence of online marketplaces and alternative funding has also made it easier for entrepreneurs to make safe business funding. Also, NSIC (National Small Industries Corporation) have launched several marketing programmes to promote MSMEs. Therefore, small business owners can utilize adequate marketing support avail from Government agencies for the growth of MSMEs.

Threats of MSMEs

4. The threats observed in this present study are financial stringency, competition from large and multinational firms, technological obsolesces, negligence towards industrial training, and increased price in inputs. Hence, the hurdles involved with funding assistance cannot be completely ruled out in current situation. Likewise, MSMEs facing uncertain global economic environment and immense operational pressures, SMEs may be tempted to resort to offering bribes to help ensure short term survival. Recent increases in expenses like salary costs, land, raw materials and exchange rates coupled with cash flow problems arising in obtaining account receivables have all created an extremely challenging business environment for MSMEs. Likewise MSMEs have to face the challenges of managing legal, regulatory and cultural differences in different markets in addition to the difficulties involved in remotely managing businesses. These are some of the areas need to be concentrated to overcome the threats and keep forward.

Conclusions

MSMEs play an indispensable role in nation's GDP growth. The aim of this study was to investigate the extent to which the SWOT factors have been attained in MSMEs with particular reference to the selected companies operating in Peenya industry. The primary data were analysed to compare the actual situation with the current strategies and other norms. The study shows that increased "Competition" and "Expectation of Customers" are the major external issues for the MSMEs in peenya industry. The main threats observed are competition from large & multinational firms, financial stringency and technological obsolescence. Likewise, it is necessary to make the entrepreneurs be aware of the benefits and opportunities provided by the government. Thus, it definitely helps them to take initiatives for reforming MSMEs in achieving the

objectives of growth with equity and inclusion to enhance the business process that would help in poverty eradication and employment generation which leads enlarge economics.

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