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Growth & Problems of Micro, Small and Medium Enterprises -A Study on Guntur and Krishna Districts in Andhra Pradesh

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ABSTRACT

Chief Minister Chandra Babu Naidu is well-known the world over for his strong commitment to industrial advancement and growth. Very few states have matched the growth that Andhra Pradesh has been able to achieve within a short span of time. Hyderabad (which now is the capital of Telangana) is quite popular for its IT and cyber developments. In fact it is known as Cyberabad. Doing away with red tape, strong infrastructural support, doses of incentives, pro-industry policies etc. have made the state gallop to a commanding and respectable position in the country and the world as well. In its MSME policy (2015-20) the State has spelt out the thrust areas with impetus on several developmental areas. A measure like addressing incipient sickness is really appreciable where an institutional set-up will catch industrial sickness at the beginning itself. It speaks of the pro-active mindset of the Government to tackle problems at the inception stage itself rather than allowing them to take unmanageable proportions. An initiative like the SME Exchange is another praise-worthy step that would facilitate fund raising by MSMEs directly from the market. This article reviews the trends in growth of MSMEs in two important districts of Andhra Pradesh – Guntur and Krishna. It will also discuss the problems of MSME growth in these two districts based on both primary and secondary data.

Key words – Guntur & Krishna Districts, MSMEs, Problems, Trends

1. Introduction

In Andhra Pradesh there has been a consistent growth of MSMEs at all the three parameters, namely, number of MSMEs, investment and employment. The CAGRs for number of MSMEs, investment and employment work out to 8.22%, 36.10 & 11.60% respectively. All the three CAGRs for number of MSMEs are healthy ones and reflect a strong performance by the MSMEs. The numbers vouch for the implementation of the policy measures by the Government. Often it is found that policies, strategies, vision, mission etc. are matters of papers only. Their visibility on the ground is far too less. But in case of Andhra Pradesh the growth trajectory has been highly impressive and speaks volumes of the efforts in actual implementation of things. For a highly populated country like India a CAGR in employment of more than 10% for over 20 years is indeed a robust performance by all means. Amidst invasion of technology, if the employment level is rising it indicates that the quality of education and employability skills have improved too. Thus, the MSME growth story of

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Andhra Pradesh is not just about numbers. It is an inclusive and qualitative growth as well, which is a very difficult thing to be achieved on a sustained basis. However, the growth has not been evenly spread throughout the state. Thus as a state while the development has been laudable, region-wise and district-wise the story is different. This actually is a typical phenomenon everywhere. For instance if we take the case of Maharashtra, places like Western Maharashtra that has centers like Mumbai and Pune show tremendous growth and at the same time there are areas like Marathwada and Vidarbha that are lagging behind. This article reviews the trends in growth of MSMEs in two important districts of Andhra Pradesh – Guntur and Krishna. It will also discuss the prospect of MSME growth in these two districts based on primary and secondary data. Primary data was collected from 200 MSME entrepreneurs each from Guntur and Krishna districts. The sample questionnaire used for collection of the primary data is given at the end of the article by way of an annexure.

2. Profile of Guntur and Krishna District

a. Guntur District: Guntur is one of the nine Coastal districts of Andhra Pradesh. It is located between 15° 18'and 16° 50' North latitude and 70° 10'and 80° 55'East longitude. It is bounded by Krishna & Nalgonda districts on the North, by Prakasam and Mahabubnagar districts on the West, by Prakasam district on the South and by Krishna district, and the Bay of Bengal on the East. The district has a coast line of 42 kms. The total geographical area of the district is 11328 sq kms, which forms 4.12% of the total State's area. Guntur district lies at a elevation of 33m from sea level. The district is largely plain, with a few hill ranges. The climate is featured by hot summers and cool winters. Rentachintala is the hottest place in the state, which once recorded 50°C. Min temperature is around 5°C in winters. Rain fall on an average in the district is 830mm, through South-West monsoon. Guntur district is divided into 3 Revenue divisions: Guntur, Tenali and Narsaraopeta. The district is divided into 57 Mandals and 729 revenue villages. The Ethipothala water falls near Macherla, Kottappakonda shrine, Amaravathi stupas, Nagarjunsagar dam, Managalgiri temple etc are the major centres of tourist attraction. As per the Census of 2011 the district had a population of around 48 lakhs out of which 2/3rd population (32 lakh) was living in the rural area where as 1/3rd (16 lakh) was living in the urban area. The district literacy rate was reported to be 68%. There are more than 4000 schools, around 300 colleges and around150 higher education colleges. 38 banks had around 370 branches in the district. There are 61 regional rural banks and 43 private banks as well. It has more than 2500 bed capacity in the allopathic hospitals.

b. Krishna District: Krishna district is one of the nine coastal districts of AP. It is bounded by Bay of Bengal on the East and South, West Godavari on the North-East, Guntur and Nalgonda districts on the West, and Khammam district on the North. The district covers an area of8727 Sqkms. Krishna district has a coast line of 88kms. The District Headquarters is Machilipatnam, though the major commercial city is Vijayawada. As per the Census of 2011 the district had a population of around 45 lakhs out of which 60% population (27 lakh) was living in the rural area whereas 40% (18 lakh) was living in the urban area. There are more than 4000 schools, around 300

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colleges and around150 higher education colleges. There are 445 bank branches spread over the district. There are 51 regional rural banks as well. It has more than 1700 bed capacity in the allopathic hospitals.

3. Review of MSME growth in the two districts

Guntur District: As per the Govt. District MSME report following is the status of the industrial areas –

Table 1 – Status of industrial areas of Guntur

Estate No.	Land Acquired (acres)	Land Acquired (SqMts)	Land Developed (SqMtrs)	Land Rate Per Sqm	Total No. of Plots	Total No. of Structures	Allotted Plots	Allotted Structures	Units in Production
1	105.42	426635	272403	3000	661	131	660	131	741
2	46.22	187052	112435	3000	188	32	188	32	181
3	92.36	373781	147654	3000	1440	51	1407	51	465
4	54.87	222059	125362	2250	479	0	479	0	433
5	11.31	45772	45772	0	1	0	0	0	0
6	11.38	46054	46055	0	1	0	0	0	0
7	46.77	189278	132521	700	62	0	62	0	41
8	20.99	84946	48099	550	80	8	80	8	25
9	8.61	34844	25818	2000	38	4	38	4	31
10	63.93	258725	162228	3000	439	0	439	0	394
11	39.09	158197	124871	3000	159	12	159	12	137
12	22.18	89762	64014	3000	47	0	47	0	41
13	29.6	119791	79513	3000	21	0	7	0	3
14	48.98	198222	136989	300	96	6	96	6	74
15	76.85	311011	251552	350	22	0	14	0	14
16	25	101175	82294	2000	59	4	59	4	45
17	73.17	296119	208422	1700	59	12	58	12	56
18	9.65	39053	19722	1100	18	10	16	10	15
19	4.94	19992	13976	2000	24	0	24	0	16
20	1.2	4856	2306	0	1	10	0	10	6
Total	792.52	3207324	2102006	1698	3895	280	3833	280	2718

Around 800 acres has been allotted for 20 industrial areas in the district. The land acquired for industrial development is around 32 lakh square metres out of which 21 lakh square metres has been developed. This in percentage terms works out to 66%. The rate per square meter shows a great variation. While the lowest rate is Rs.300 per square meter, the highest is Rs.3000 per square meter. The average rate because of the variation comes to around Rs.1700 per square meter. However at most of the estates the rates is Rs.3000 per square meter. Out of the 3895 plots, 3833 have been allotted. Further out of the 280 structures all of them have been allotted. A total of 2718 units have been housed over these 20 estates.

Ideally with a perfect equal spread, the average distribution of the units should have been 136 units per estate. However there is a very huge variation that is seen in the spread of

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the 2718 units as indicated by the standard deviation of 206 units. Interestingly just 5 out of the 20 estates account for more than 80% of the total units. Autonagar (AN) Guntur Phase I & II in Estate 1 has as many as 741 units out of the total 2718 units (27%.) Autonagar (AN) Guntur Phase IV has 465 units whereas Autonagar (AN) Guntur Phase III has 433 units. Barring APIIC_MANGA LAGIRI_AN that has 394 units other estates have really failed to take off, it seems. This then suggests that the phases that have come-up earlier were the only ones who have done well. In other words, subsequent industry spread of the MSME units has been lackluster. 14 out of the 20 areas account for only 367 units out of the total 2718 units which is a meager 14% of the total. Thus, highly uneven growth is quite clearly evident.

Krishna District

As per the Govt. District MSME report following is the status of the industrial areas –

Table 2 - Status of industrial areas of Krishna District

Estate Number	Land Acquired (acres)	Land Acquired (SqMts)	Land Developed (SqMtrs)	Land Rate Per Sqm	Total No. of Plots	Total No. of Structures	Allote d Plots	Alloted Structures	Units in Production
1	41	165927	103970	1000	264	0	257	0	255
2	45.26	183167	111736	1200	325	0	325	0	322
3	115.94	469209	306710	8000	781	0	781	0	743
4	32.34	130880	130880	8000	1	0	0	0	0
5	54.54	220723	220725	0	2	0	2	0	1
6	10.4	42089	41867	1500	5	0	5	0	4
7	3.11	12586	12587	2250	1	0	1	0	0
8	34.07	137881	96308	0	109	0	109	0	97
9	99.91	404336	213380	1200	201	0	196	0	92
10	438.19	1773355	1422364	2500	492	29	491	30	322
11	20	80940	53139	1000	50	0	50	0	33
12	14.91	60341	37744	1000	42	0	37	0	31
13	36.82	149011	94506	1000	135	0	133	0	52
14	53.93	218255	128553	11200	64	34	64	34	85
15	30.17	122098	107812	1500	1	0	1	0	0
16	275.68	1115677	695759	8000	1185	75	1185	75	798
17	48.83	197615	113137	0	258	0	258	0	239
Total	1355.1	5484090	3891177	2903	3916	138	3895	139	3074

Around 1355 acres has been allotted for 17 industrial areas in the district. The land acquired for industrial development is around 55 lakh square metres out of which 39 lakh square metres has been developed. This in percentage terms works out to 71%. The rate per square meter shows a great variation. While the lowest rate is Rs.1000 per square meter, the highest is Rs.8000 per square meter. The average rate because of the variation comes to around Rs.29000 per square meter. Out of the 3916 plots, 3895 have been allotted. Further

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out of the 138 structures all of them have been allotted. A total of 3074 units have been housed over these 17 estates.

Ideally with a perfect equal spread, the average distribution of the units should have been 181 units per estate. However there is a very huge variation that is seen in the spread of the 3074 units as indicated by the standard deviation of 249 units. Interestingly just 6 out of the 17 estates account for more than 85% of the total units. A Vijayawada in Estate 16 has as many as 798 units out of the total 3074 units (26%) A Kanuru has 743 units. A Jaggaiahpet and IP Kondapally have 322 units each. Barring these and a few more, other estates have really failed to take off, it seems. 13 out of the 17 areas account for only 889 units out of the total 3074 units which is a meager 29% of the total. Thus, highly uneven growth is quite clearly evident.

4. Problems faced

4.1 Analysis based on secondary data

Guntur District : One of the meeting, problems that has been raised by the Associations of the MSMEs during their meetings is of inadéquate and irregular supply of power and fréquent power cuts. Wenext analyze the problems as reported by each of the clusters as under –

Table 3 – Problemsfaced by MSME units of Guntur District

General Engineering Cluster	Piduguralla Burnt lime cluster	Powerloom Cluster
Most firms still use obsolete technology, and do not form market consortia to avail benefits of bulk purchases of raw materials and utilities	Poor market linkages, Obsolete technology	High cost of energy Lowlevel of automation in ginning units Absence of technical BDS providers Shortage of skilled manpower

Use of obsolete technology, shortage of skilled manpower, high cost of energy, absence of consortium for bulk purchases are some of the typical problemsthat have been reported by the clusters. Further almost all the clusters have reported as a major requirement in terms of infrastructure. Lack of basic facilities like road, water, electricity have also been spelt out as major issues. Actually these are highly peculiar problems faced acrossmost part of the country and not in one district as such.

Krishna District: The problems that has been raised by the Associations of the MSMEs during their meetings were as under –

- Inadequate and irregular supply of power
- Lack of sufficient and timely credit
- Industry extension services

We next analyze the problems as reported by each of the clusters as under –

Table 4 – Problems faced by MSME units in Krishna District

Imitation Jewelry Cluster, Machilipatnam	Vijayawada Pharma cluster	Krishna Food Processing cluster

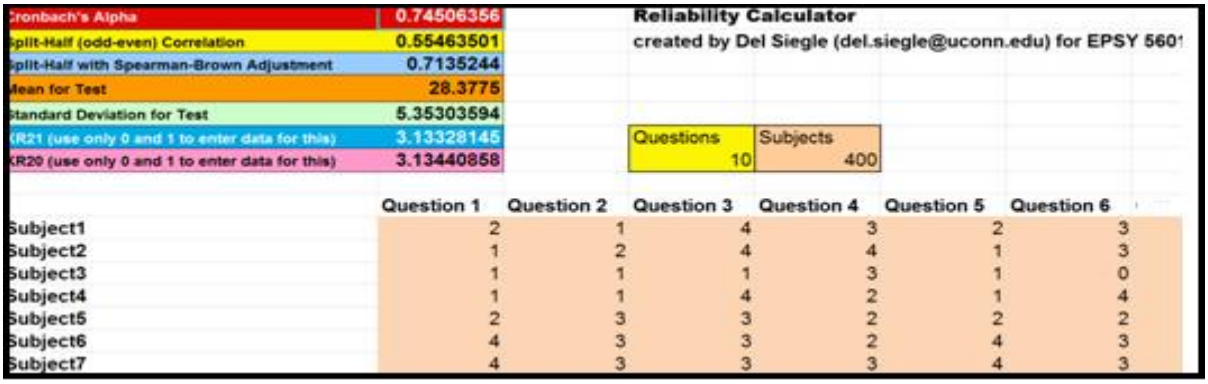
Low productivity, traditional designs, cater to low end market especially in rural areas	Low skills of personnel, lack of pollution control measures,working at poor economies of scale	Improper inventory management Fruit processing: low value added products Ethnic foods: poor packaging, manual operations adopted

A host of problems have been mentioned. Some of them are technical; some of them are managerial while still some of them are financial. Low productivity, traditional designs etc. are some of the technical problems. Things like improper inventory management, working at poor economies of scales etc. are managerial problems. Lack of adequate and timely credit is a financial problem.

4.2 Analysis based on primary data

4.2.1 Preliminaries of the survey

The responses were obtained from 200 MSME entrepreneurs each from Guntur and Krishna District. The sampling method adopted was convenient sampling. 10 problems were stated in the questionnaire and respondents were asked to rate them on a five point Likert scale with responses starting from no response, not a problem, somewhat a problem, quite a problem and major problem. For assessing the reliability of the instrument used for the survey, tests like Cronbach's Alpha were performed and the results were as under –



Cronbach's Alpha	0.74506356
Split-Half (odd-even) Correlation	0.55463501
Split-Half with Spearman-Brown Adjustment	0.7135244
Mean for Test	28.3775
Standard Deviation for Test	5.35303594
KR21 (use only 0 and 1 to enter data for this)	3.13328145
KR20 (use only 0 and 1 to enter data for this)	3.13440858

Reliability Calculator
created by Del Siegle (del.siegle@uconn.edu) for EPSY 5601

Questions	Subjects
10	400

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6
Subject1	2	1	4	3	2	3
Subject2	1	2	4	4	1	3
Subject3	1	1	1	3	1	0
Subject4	1	1	4	2	1	4
Subject5	2	3	3	2	2	2
Subject6	4	3	3	2	4	3
Subject7	4	3	3	3	4	3

Figure 1 – Reliability test for questionnaire used in the survey

Since the Cronbach's Alpha was more than 0.70, the instrument was considered as reliable.

4.2.2 – Descriptive data analysis

a. The respondents were 200 each from both the districts, namely, Guntur and Krishna.
b. 99 out of the 400 respondents belonged to the age-group 20-29 years, 96 belonged to the age-group 30-39 years, 95 belonged to the age-group 40-49 years and 110 belonged to the age-group >=50 years.
c. 326 out of the 400 MSME entrepreneurs were male whereas 74 were female.
d. Out of the 400 entrepreneurs, 71 were engaged in the business of engineering, 61 in the business of handloom, 75 in the business of food-processing, 59 in the business of jewelry, 68 in the business of Pharma and the balance 66 in the some other business.

4.2.3 – Inferential data analysis

The responses fetched for each of the ten problem statements were as under –

Table 5 –Responses for each of the ten problems

Sr.	Problem statement	No	No	Somewhat	Quite a	Major

No		option	problem	a problem	problem	problem
1	Erratic electric supply	6	24	100	172	98
2	Difficulty in getting electric connection	7	30	83	204	76
3	Problems in obtaining Bank Finance	8	28	82	183	99
4	Difficulties with Taxation matters	7	29	82	146	136
5	Poor Infrastructure	5	37	88	167	103
6	Harassment while obtaining permits from Government	8	38	89	121	144
7	Shortage of skilled manpower	7	21	70	215	87
8	Lack of adequate transportation facilities	7	62	67	128	136
9	Low scales of production	4	48	116	112	120
10	Quality problems due to old technology	7	21	84	201	87
	Average	**7**	**34**	**86**	**165**	**109**

For the purpose of statistical analysis following scores were assigned to responses –

Table 6: Assignment of scores for each category of response (no option ignored)

Sr. No.	Response	Score Assigned
1	No problem	0
2	Somewhat a problem	1
3	Quite a problem	2
4	Major problem	3

Based on the above scores the score sheet for the ten problems was as under –

Table 7: Scores for each of the ten problems

Sr. No	Problem statement	No problem	Somewhat a problem	Quite a problem	Major problem	**Total Score**
1	Erratic electric supply	0	100	344	294	**738**
2	Difficulty in getting electric connection	0	83	408	228	**719**
3	Problems in obtaining Bank Finance	0	82	366	297	**745**
4	Difficulties with Taxation matters	0	82	292	408	**782**
5	Poor Infrastructure	0	88	334	309	**731**
6	Harassment while obtaining permits from Government	0	89	242	432	**763**
7	Shortage of skilled manpower	0	70	430	261	**761**
8	Lack of adequate transportation facilities	0	67	256	408	**731**
9	Low scales of production	0	116	224	360	**700**
10	Quality problems due to old technology	0	84	402	261	**747**

All the problems had a score of 700 or more. On a maximum scale of 1600 (4 score for major problem x 400 respondents) the percentage problem index for the 10 problems was as under –

Table 8 –Total Scores for each of the ten problems along with index

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Sr. No.	Problem statement	Total Score	Index
1	Erratic electric supply	738	46.1%
2	Difficulty in getting electric connection	719	44.9%
3	Problems in obtaining Bank Finance	745	46.6%
4	Difficulties with Taxation matters	782	48.9%
5	Poor Infrastructure	731	45.7%
6	Harassment while obtaining permits from Government	763	47.7%
7	Shortage of skilled manpower	761	47.6%
8	Lack of adequate transportation facilities	731	45.7%
9	Low scales of production	700	43.8%
10	Quality problems due to old technology	747	46.7%

The average score was 46.4% and was tested for statistical significance using a t-test against a hypothesized mean of 0 (score for no problem.) The p-value was <0.00001

The summarized results of the statistical testing are given below –

Table 9 – Summarized results of statistical testing

Parameter	Value
Average	46.38%
Standard Deviation	0.97322
Ho (Hypothesized Population Mean)	0%
H1 (Sample Mean)	46%
N (Sample size)	400
t-distval	9.53
p-value	<0.00001

Since the p-value was <0.00001 the problems as reported by the sample were found to be statistically significant.

5. Suggestions

Considering the problems faced by the MSMES in the two districts, following suggestions are offered -

a. Government should undertake technical training programs to address issues like obsolete technology, design issues etc.
b. Similarly the District Associations should take a lead in resolving the technical issues by taking help of experts.
c. Managerial problems should be sorted out with the help of faculties from Management Colleges.
d. Common problems like poor electricity supply, lack of infrastructure should be solved by the Government through determined efforts giving due consideration to the fact that MSMEs are an important solution to the problem of unemployment.

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6. Conclusion

In both the districts the industrial development of the MSMEs has been quite lop-sided. Only a few areas have come-up well whereas most of the industrial estates do not have that much strong presence. This might be an indication that developments in recent past have not been up to the mark. Whatever development has taken place in the earlier years has been the saturation point. New development has not taken place in the district. A heartening thing to note about Krishna District is the exports that are happening in the Pharma and Food Processing clusters. Exports offer number of benefits and hence Government should take special steps to promote these units. Based on the geographical structure of the area, the Government has enlisted a number of potential industries that can be taken up. These include agro-based industries, mineral based industries, textile based and other industries. On an overall basis, we can conclude that while the state has progressed phenomenally well on an overall basis, the MSME development in the two districts, namely, Guntur and Krishna needs a push. That it is lopsided and has typical problems like infrastructure, power shortage etc., shows that the growth at the top level has not percolated well to the bottom. In the overall interest of the State's growth, regional balanced growth is quite desirable.

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