

BUSINESS SUCCESS FACTORS OF MICRO SMALL AND MEDIUM ENTERPRISES (MSMES): FINDINGS FROM KAMRUP-RURAL OF ASSAM

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Abstract—Micro Small and Medium Enterprises (MSMEs) are undoubtedly latent with huge potential but still some enterprises fail miserably and do not even survive the first few years. Our study intends to investigate the factors that boost the MSMEs to achieve the pinnacle of success which influence its performance, eventually aiding them to survive and sustain in the long run. A random sample of 100 (50 male & 50 female) registered & functioning MSMEs, whose operation is not less than five years, was picked from Kamrup-Rural of Assam. Empirical literatures suggested numerous success factors, but our study focuses on six factors, viz., MSME characteristics; entrepreneur characteristics; product & services; way of doing business; external environment and ICT & internet. In the survival range of 10-15 years female owned MSMEs (70%) are highest followed by male owned enterprises (50%) in 15-20 years. The female owned MSMEs are clustered in the micro enterprises (50%) with no holding in small & medium enterprises. As for the male owned MSMEs, 82% are in micro followed by 14% & 4% in small & medium enterprises respectively. Due to low capital & financial strength of the female entrepreneurs their investment is limited up-to 25 lakh (96%) and 5 crore (4%). Male entrepreneurs also face the dearth of finance but however their investment goes up to 10 crore (6%). The study found that age of the entrepreneurship, innovation, duration of apprenticeship, product & services and way of doing business are the most important business success factors that influences the performance of the MSMEs in Kamrup-Rural. Among the success factors, the age of the entrepreneurs has been ranked I by both female (32%) & male (28%) respondents. Size of the enterprise has been largely ranked III and location ranked II. External environment, ICT & internet and confidence of the entrepreneur ranked III.

Keywords: Business Success Factors; Entrepreneurs; Micro Small & Medium Enterprises (MSMEs).

Introduction

Literatures on Micro Small and Medium Enterprises (MSMEs) thoroughly documented its significance, diversity and necessity in the economy of a country. The performance of the MSME sector is keenly associated with the performance of a nation [5]. MSMEs are regarded as the “engine of growth” [16] and “key source of dynamism, innovation and flexibility” due to their large share within the total industrial enterprises and substantial contribution in the job creation, poverty elimination (especially female employment), contribution in tax revenue, GDP & export earnings, facilitate the distribution of goods, aid in human resource development, nursery for innovations, fuels private ownership & entrepreneurship and agile in catering to the ever changing market situations of demand & supply [1, 14]. But in spite of having such a tremendous potential some MSMEs fail miserably and do not even survive the first few years [21, 26]. An important research question pops up here, that what affects the business success among MSMEs? In spite of the alarming increase in business failures very little research on entrepreneurial success has been carried out [22]. Even though the secret of firm success has long fascinated the researchers, but studies tend to focus on the causes of failure of MSMEs and less on the success factors [26], whereas success and failure are the two sides of the same coin. Business success connotes differently to different researchers [9]. Business success is measured in quantitative terms with indices like return on assets (ROA), return on investment (ROI), sales & turnover, net profit, [14]. Along with the quantitative or financial measure, qualitative (non-financial) measure (knowledge & business experience, ability to develop and offer quality products & services, ability to manage and work in group, labour productivity, etc.) is also applied [21]. Business success is also attributed to those enterprises that survive the first five years of existence and those which are a mirror of the societal values [6, 8].

Empirical literatures suggested numerous success factors, but our study focuses on six factors, viz., MSME characteristics; entrepreneur characteristics; product & services; way of doing business; external environment and ICT & internet. Entrepreneur characteristics refer to the age of the entrepreneur, individual characteristics, personal traits, entrepreneurial orientation,

entrepreneur readiness, etc. [4, 13, 17, 18 & 23]. MSME characteristics denote to origin of the enterprise, length time in operation, size of the enterprise, etc. which plays an important role in the business success [17, 19 & 24]. The products & services (newness, uniqueness, time efficient, etc.) rendered by an enterprise may also act as a success factor [11, 27]. The way in which an entrepreneur does his business, operates his networking & employs efficient strategies, affects his success [15, 26]. External environment like ease of doing business, government policies, availability of cheap credit, raw materials, favourable tax regime etc. largely affects the success of an enterprise [12, 14]. Internet & ICT also acts as an advertising medium, which if used wisely can help an enterprise to grow & succeed [10].

Our study intends to investigate the factors that boost the MSMEs to achieve the pinnacle of success that influence its performance, eventually aiding them to survive and sustain in the long run.

Methodology

A sample of 100 registered¹ & functioning MSME units were randomly selected from Kamrup-Rural district of Assam. The sample included 50 female owned and 50 male owned MSMEs. The manufacturing & services activities were included (excluding agriculture and its allied activities) pertaining to the MSME entrepreneurs in general and also certain gender specific activities in particular. Our study embraces the performance/quantitative measure; survival/sustainability measure; and qualitative measure. Furthermore, we have incorporated the units of all the three sizes viz. micro, small and medium. The sample MSME units were interviewed through a structured questionnaire. Descriptive statistics is used for analysing the data. The survey was conducted during 2018-2019.

Findings & Analysis from the field survey

Business Success Measures

The three measures of business success (quantitative, qualitative & survival) cannot be excluded from one another. If a MSME unit is not earning profits and only covering its cost then there will be no question for the entrepreneur to expand his business or hire more employees or further invest in qualitative measures. Consecutive loss or no profits will eventually force the entrepreneur to shut his business. Again, if a MSME survives for the initial 5 years and slowly earn profits, then eventually the entrepreneur would also further invest in other qualitative measures for earning quantitative measures. Furthermore, if an entrepreneur realizes that his product/service is doing well in the market then he will further invest on it to generate more revenues, and in this way the entrepreneur would also attain sustainability and survive in the market. The interdependency of the business measures is shown in the flowing figure.

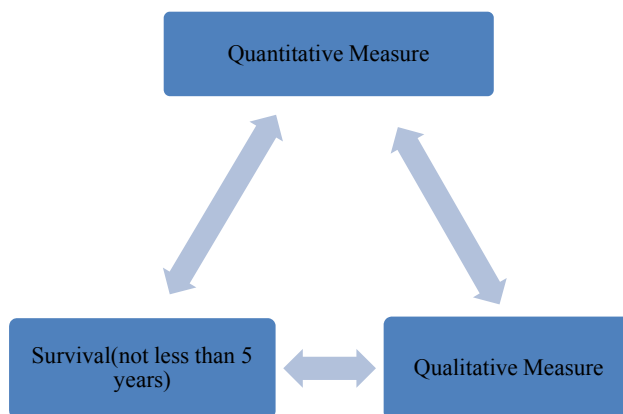


Figure 1: A mediated model of the measure of business success of the MSMEs

Survival as a Business Success Measure

The enterprises of our study are not less than 5 years. The table 1 depicts that all the female MSMEs are confined into the micro units irrespective of their number of years of survival. In the range of 10-15 years female owned MSMEs (70%) are highest followed by male owned enterprises (50%) in 15-20 years. The female enterprises of our survey however do not exceed 20 years of operation while male enterprises (6%) are lower in 5-10 year.

¹District Industries Centre (DIC) of Kamrup-Rural.

Table 1: Survival of the MSMEs

Category of Entrepreneur	Survival (No. of Years)	Category of Enterprises			Total MSMEs
		Micro	Small	Medium	
Female owned MSMEs	5 - 10 years	10(20%)	0	0	10(20%)
	10 - 15 years	35(70%)	0	0	35(70%)
	15 - 20 years	5(10%)	0	0	5(10%)
	Above 20 years	0	0	0	0
Total		50(100)	0	0	50(100)
Male owned MSMEs	5 - 10 years	3(7.3%)	0	0	3(6%)
	10 - 15 years	7(17%)	2(28.6%)	1(50%)	10(20%)
	15 - 20 years	22(53.7%)	3(42.8%)	0	25(50%)
	Above 20 years	9(21.9%)	2(28.6%)	1(50%)	12(24%)
Total		41(100)	7(100)	2(100)	50(100)

Source: Primary Survey

Note: Figures in brackets represents percentage

Quantitative Measure of Business Success

For the quantitative measure we have focused on the initial investment and annual income of the enterprises. The table 2 (a, b & c) highlights the fact that female owned MSMEs are clustered in the micro enterprises (50%) with no holding in small & medium enterprises. As for the male owned MSMEs, 82% are in micro followed by 14% & 4% in small & medium enterprises respectively.

Table 2 (a): Annual Income² of the Micro Enterprises

Category of Entrepreneurs	Less than 5 crore					Total Micro Enterprises
	Less than 10L	10L-50L	50L-1Cr	1Cr-3Cr	3Cr-5Cr	
Female	9 (18%)	41(82%)	0	0	0	50(100)
Male	2(4.8%)	15(36.6%)	22(53.7%)	1(2.4%)	1(2.4%)	41(99.9)

Source: Primary Survey

Note: Figures in brackets represents percentage

Table 2 (b): Annual Income of the Small Enterprises

Category of Entrepreneurs	5 Cr – 75 Cr					Total Small Enterprises
	5Cr-15Cr	15Cr-30Cr	30Cr-45Cr	45Cr-60Cr	60Cr-75Cr	
Female	0	0	0	0	0	0
Male	3(42%)	1(14.3%)	1(14.3%)	1(14.3%)	1(14.3%)	7(100)

Source: Primary Survey

Note: Figures in brackets represents percentage

Table 2 (c): Annual Income of the Medium Enterprises

Category of Entrepreneurs	75 Cr – 250 Cr				Total Medium Enterprises
	75-125	125-175	175-200	200-250	
Female	0	0	0	0	0
Male	2 (100)	0	0	0	2(100)

Source: Primary Survey

Note: Figures in brackets represents percentage

The low capital & financial capacity of the female entrepreneurs forces them to limit their investment in micro units up-to 25 lakh (96%) and 5 crore (4%) as shown in table 3. Male entrepreneurs also face the dearth of finance but still their investment goes up to 10 crore (6%). However, 80% of male invests below 25 lakh.

² As per the new MSME definition of 2018

Table 3: Initial Investment of the MSMEs

Category of Entrepreneur	Initial Investment	Category of Enterprises			Total MSMEs
		Micro	Small	Medium	
Female owned MSMEs	Below 25 Lakh	48(96%)	0	0	48(96%)
	25 lakh – 5 crore	2(4%)	0	0	2(4%)
	5 crore – 10 crore	0	0	0	0
Total		50(100)	0	0	50(100)
Male owned MSMEs	Below 25 Lakh	38(92.6%)	2(28.6%)	0	40(80%)
	25 lakh – 5 crore	3(7.3%)	2(28.6%)	2(100)	7(14%)
	5 crore – 10 crore	0	3(42.8%)	0	3(6%)
Total		41(100)	7(100)	2(100)	50(100)

Source: Primary Survey

Note: Figures in brackets represents percentage

Qualitative Measure of Business Success

Qualitative measure helps the entrepreneur in improving the quality and the performance of his unit. Factors like awareness & knowledge enables the entrepreneur to know the schemes & policies; employee trainings would increase labour efficiency & productivity; entrepreneurial trainings would improvise him as an entrepreneur and social welfare measures would help in retaining & securing employees and maintain a balance. Since it is a qualitative data so the responses were in the form of 'Yes' & 'NO'. Through the table 4 we know that entrepreneurs are not very aware of the government scheme & policies (4% each). Social welfare measures are administered (20% & 12%) and employee trainings are also organized (18% & 20%). But very few entrepreneurs had themselves undergone entrepreneurial trainings (4% & 6%).

Table 4: Qualitative Factors of the MSMEs

Qualitative Factors	Male		Female		Total
	Yes	No	Yes	No	
Awareness & Knowledge	2(4%)	4(8%)	2(4%)	7(14%)	15
Social Welfare measures ³	10(20%)	5(10%)	6(12%)	10(20%)	31
Entrepreneurial Trainings	2(4%)	10(20%)	3(6%)	10(20%)	25
Employee Trainings	9(18%)	8(16%)	10(20%)	2(4%)	29
Total	50(100)		50(100)		100

Source: Primary Survey

Note: Figures in brackets represents percentage

Business Success Factors & the Performance of MSMEs

The success factors have an ultimate impact and influence on the overall performance of the MSMEs. Table 5 (Since table 5 is a bit wide in size so it has been presented at the next page before the References) shows the importance of the factors in the business success & performance of the MSMEs. The success factors as responded have been ranked into three orders as shown in table 5, I rank- most important (denotes that particular factor/attribute to be the most important, and so on); II rank- less important and III rank-least important. From the table 5 we can deduce that the age of the entrepreneurship has been ranked I by both female (32%) & male (28%) respondents. The respondents stated that age of the entrepreneur when they starts their business influences in the growth and performance of the enterprise. After 55 years of age the entrepreneur generally retires and the business passes on to the heir. Below 25 years of age we mostly find female entrepreneurs engaged in micro enterprises. The factors of age, product & services and way of doing business have not been ranked III. The female entrepreneurs opined that external environment for them was quite important as the government is giving impetus to empower female entrepreneurs.

The table 6 below shows that majority of the respondents (70) are aged between 35 - 45 (64% female & 76% male) years and none aged above 55 years.

Table 6: Age of the Respondents of the Survey

Range of the Age of the Entrepreneur	Total No. of Respondents	No. of Female Respondents	No. of Male Respondents
Below 25 years of Age	3	3(6%)	0
25 – 35 years of Age	12	9(18%)	3(6%)
35 – 45 years of Age	70	32(64%)	38(76%)
45 – 55 years of Age	15	6(12%)	9(18%)
Above 55 years of Age	0	0	0
Total	100	50(100)	50(100)

Source: Primary Survey

Note: Figures in brackets represent percentage

³ Social welfare measures include health insurance, PPF, GPF, etc.

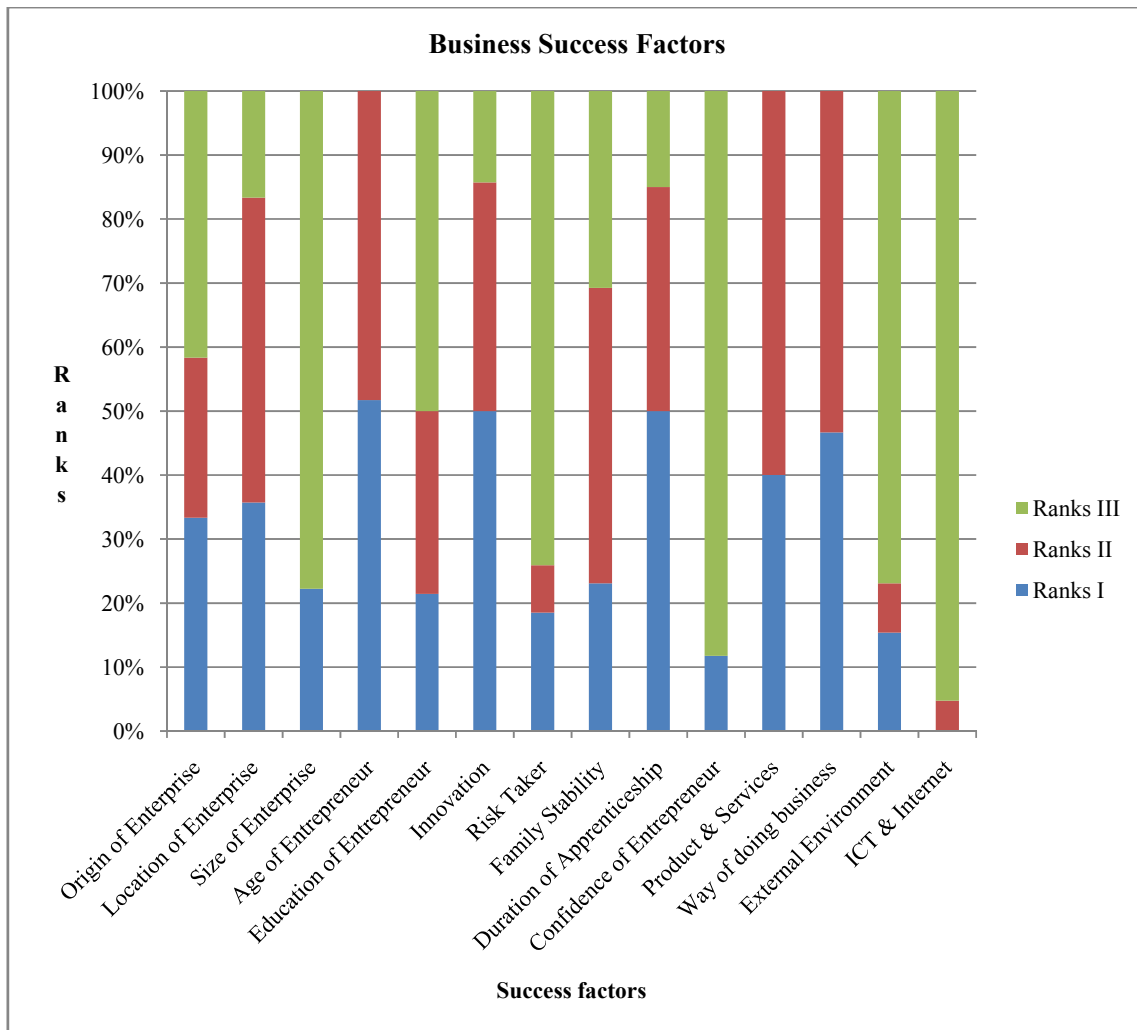


Figure 2: Stacked Column diagram for the Business Success Factors in Kamrup-Rural

Source: Framed from Table 5

The figure 2 represents the business success factors influencing the performance of the MSMEs in Kamrup-Rural of Assam. Size of the enterprise has been largely ranked III and location ranked II. Innovation & duration of apprenticeship ranked mostly ranked I. External environment, ICT & internet and confidence of the entrepreneur frequently ranked III.

Conclusion

Our study found that age of the entrepreneurship, innovation, duration of apprenticeship, product & services and way of doing business are the most important business success factors that influences the performance of the MSMEs. Irrespective of the size of female MSMEs, their investment capacity is very limited. They cease to exist in small & medium enterprises. Although male MSMEs exists in small and medium units, but their proportion is not very satisfactory. Entrepreneurs do opt for training their employees but fails to undergo the same for themselves. The social security measures offered are also limited by the size of the enterprise. The upcoming enterprises should work in the line of the successful MSMEs. The entrepreneurs should form networking and exploit the advantages of ICT technologies. The government should induce favourable environment by creating constructive policies and create an environment promoting entrepreneurship. In the event of ever increasing population entrepreneurship will become the only means of survival and sustenance.

Table 5: Ranking of Business Success Factors of MSMEs in Kamrup-Rural

Factors	Broad Category	Ranks									
		I (T ⁴)	M ⁵	F ⁶	II (T)	M	F	III (T)	M	F	
Origin of Enterprise	MSME Characteristics	4	3(6%)	1(2%)	3	1(2%)	2(4%)	5	1(2%)	4(8%)	
Location of Enterprise		15	7(14%)	8(16%)	20	11(22%)	9(18%)	7	3(6%)	4(8%)	
Size of Enterprise		2	1(2%)	1(2%)	0	0	0	7	2(4%)	5(10%)	
Age of Entrepreneur	Entrepreneur Characteristics	30	14(28%)	16(32%)	28	13(26%)	15(30%)	0	0	0	
Education of Entrepreneur		3	2(4%)	1(2%)	4	2(4%)	2(4%)	7	2(4%)	5(10%)	
Innovation of Entrepreneur		7	5(10%)	2(4%)	5	3(6%)	2(4%)	2	0	2(4%)	
Risk Taker		5	2(4%)	3(6%)	2	1(2%)	1(2%)	20	8(16%)	12(24%)	
Family Stability		3	2(4%)	1(2%)	6	2(4%)	4(8%)	4	3(6%)	1(2%)	
Duration of Apprenticeship		10	6(12%)	4(8%)	7	5(10%)	2(4%)	3	1(2%)	2(4%)	
Confidence of Entrepreneur		2	0	2(4%)	0	0	0	15	9(18%)	6(12%)	
Product & Services		NIL	10	6(12%)	4(8%)	15	7(14%)	8(16%)	0	0	0
Way of doing business			7	2(4%)	5(10%)	8	5(10%)	3(6%)	0	0	0
External Environment	2		0	2(4%)	1	0	1(2%)	10	8(16%)	2(4%)	
ICT & Internet	0		0	0	1	0	1(2%)	20	13(26%)	7(14%)	
Total		100	50(100)	50(100)	100	50(100)	50(100)	100	50(100)	50(100)	

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⁴ T- Total Respondents of the Study

⁵ M-Male Respondents of the study

⁶ F-Female Respondents of the study

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