

A Study on Entrepreneurship Development of Micro, Small and Medium Enterprises with Special Reference to State of Andhra Pradesh

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Abstract

The micro, small and medium enterprises growth index is the real indicator for entrepreneurship development of any country. MSMEs are more labour-intensive and capital saving compared to the large firms. They are better suited to the factors of production in the labour-abandoned economy like India. MSMEs play a strategic role in the progress of the country. These industries by and large represent a stage in economic tradition from traditional to modern technology. The transitional nature of this process is reflected in the diversity of these countries. MSMEs use simple skills and machinery while many others use modern and sophisticated technology.

The MSMEs have a significant role in production and distribution. Creating employment opportunities to people in their local environment by harnessing both the natural and human resources for development and thereby improving the standard of living on one hand and enriching the cultural heritage on the other, are the key notes accorded to the enterprises. The MSMEs have the advantages of generating gainful employment with low investment, diversifying the industrial base, reducing regional disparities through dispersal of industries into rural, semi urban and backward areas.

Industrialization is recognized as one of the development strategies all over the world. In Andhra Pradesh, the earlier development planning keep's its stress on the development of large scale industry, failed to solve the problems like balanced regional development, gainful employment to millions of unemployed and equitable distribution of benefits of industrialization in between

the three regions. The guiding principle of the socialistic pattern of society dictates that the MSMEs should be recognized as the means to achieve equitable growth. This study is testing the Biopsy of regional imbalances of MSMEs in Andhra Pradesh.

Keywords: Entrepreneurship, Industrialization, Region, Growth rate, Economic development, Imbalances.

1. Introduction

The micro, small and medium enterprises growth index is the real indicator for entrepreneurship development of any country. MSMEs are more labour-intensive and capital saving compared to the large firms. They are better suited to the factors of production in the labor-abandoned economy like India. MSMEs play a strategic role in the progress of the country. These industries by and large represent a stage in economic tradition from traditional to modern technology. The transitional nature of this process is reflected in the diversity of these countries. MSMEs use simple skills and machinery while many others use modern and sophisticated technology.

The Industrial sector has gained in strength, slowly yet surely in many ways over last decade or so. It has become possible due to proactive role of state viz., effective policy implementation including single window clearance and incentives, establishing world class infrastructure and most importantly, making available power at the cheapest industrial tariff, thereby releasing entrepreneurial energies in private as well as public sector. Andhrapradesh State is committed to provide

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world-class facilities like ports, airports, expressways, quality power supply and water supply etc. Government has taken up various initiatives to achieve the desired growth rates in the MSME Sector during the Eleventh Five Year Plan period. The 12th plan would aim at raising the rate of growth of the industrial sector to 13 percent and manufacturing growth to 15 percent per annum continuing commitment to priority lending for MSMEs remains it is not possible.

2. Statement of the Problem

Industrialization is recognized as one of the development strategies all over the world. In Andhra Pradesh, the earlier development planning kept its stress on the development of large scale industry, failed to solve the problems like balanced regional development, gainful employment to millions of unemployed and equitable distribution of benefits of industrialization in between the three regions. Industrial development mostly confined to a few metropolitan cities and big towns and the benefits of industrialization have hardly percolated. Thus, it has been realized later that the pattern of industrialization in western countries due to the fact that A.P is an over populated state with wide regional imbalances and scarcity of capital. However, the welfare objectives enshrined in the constitution implies that in the process of development, the common man's welfare is to be given top priority. The guiding principle of the socialistic pattern of society also dictates that the MSMEs should be recognized as the means to achieve equitable growth. This study is testing the Biopsy of regional imbalances of MSMEs in Andhra Pradesh.

3. Objectives of the Study

1. To carry out the region wise comparison of MSMEs in Andhra Pradesh.
2. To compare the Andhra Pradesh MSMEs growth rate with national MSMEs growth rate.
3. To find out the MSMEs real position in A.P.

4. Review of Literature

1. A number of published reviews were found in the literature, which focuses specifically on explanations of SME growth based on life-cycle stages through which growing businesses might typically pass. These extend the coverage provided in the gen-

eral reviews on business growth already identified. D'Amboise & Muldowney (1988) is a widely cited overview of management theory for SMEs, which includes consideration of stage models of growth. In addition, there are reviews – some of which form introductions to reports on empirical research in the area – by Perry (1982), Quinn & Cameron (1983), Miller & Friesen (1984a), Smith *et al.* (1985), Kazanjian (1988), Kazanjian & Drazin (1989), Hanks (1990a, 1990b), Kazanjian & Drazin (1990), Hanks *et al.* (1991), Dodge & Robbins (1992), Hanks & Chandler (1992), Hanks *et al.* (1993), Terpstra & Olson (1993), Dodge *et al.* (1994) and Hanks & Chandler (1994). Together, these reviews consider all the best-known attempts to develop, mostly inductively but sometimes deductively, life cycle or stage models of SME growth. An assessment can be made of the collective coverage of the reviews of stage models of SME growth mentioned in the previous paragraph by noting that they undertake detailed analysis (including tabulations, comparisons and integrations) of models in prior research proposed by Collins *et al.* (1964), Buchele (1967), Downs (1967), Lippitt & Schmidt (1967), Steinmetz (1969), Scott (1971), Greiner (1972), Kroeger (1974), Torbert (1974), Lyden (1975), McGuire (1976), Thompson (1976), Hosmer *et al.* (1977), Parks (1977a, 1977b), Gervais (1978), Katz & Kahn (1978), Adizes (1979), Kimberly (1979), Vozikis & Glueck (1980), Naoum (1981), Galbraith (1982), Perry (1982), Churchill & Lewis (1983), Quinn & Cameron (1983), Miller & Friesen (1984a, 1984b), Vargas (1984), Smith *et al.* (1985), Flamholtz (1986), Scott & Bruce (1987), Kazanjian (1988), Adizes (1989), Kazanjian & Drazin (1989), Hanks (1990a, 1990b), Kazanjian & Drazin (1990), Hanks *et al.* (1991), Dodge & Robbins (1992), Hanks & Chandler (1992), Hanks *et al.* (1993), Terpstra & Olson (1993), Dodge *et al.* (1994) and Hanks & Chandler (1994).

2. Strategy development by SMEs for competitiveness: a review. Rajesh K. Singh, Suresh K. Garg, S.G. Deshmukh, (2008) "Strategy development by SMEs for competitiveness: a review", *Benchmarking: An International Journal*, Vol. 15 Iss: 5, pp.525 – 547. "SMEs are considered as engine for economic growth all over the world. This paper tries to identify the major areas of strategy development by

- SMEs for improving competitiveness of SMEs in globalised market”.
3. International Journal of Globalisation and Small Business (2008), Volume: 2, Issue: 4, Publisher: Inderscience, Pages: 411.2000.” A literature review of Performance Measurement Systems (PMS) in Small- and Medium-sized Enterprises (SMEs) shows that the main contributions focus on the development of theoretical models, but not on guidelines for practical implementation. Based on that, researchers and managers of SMEs can develop individual indicators to identify their own PMS readiness”.
 4. SMEs IN INDIA:ISSUES AND POSSIBILITIES IN TIMES OF GLOBALISATION-By Keshab Das.-Institute of developing economies, IDE – JETRO,chiba,Japan,2001. “ Given the imperatives of globalization, although in certain sectors strong external orientation could be observed even by the early 1980s, it is since 1991 that the small firm policy (and since late 2006, for the MSMEs, including the ‘medium’ for the first time) in India has been keenly pursuing policies that emphasize the importance of internationalization, trade and inter-dependence in the spheres of innovation, learning, market and business strategies”.
 5. Hayashi, M., (2002). The role of subcontracting in SME development in Indonesia: Micro-level evidence from the metalworking and machinery industry, *Journal of Asian Economics*, 13, pp 1–26. “The surge in exports of manufactured goods from Indonesia that occurred from the late1980s to the mid-1990s coincided with a sharp increase in FDI in the country. Several previous studies have indicated that multinational enterprises (MNEs) were the source of a large portion of the surge of manufactured exports and also made important contributions to changes in the country’s export composition”.
 6. Bala Subrahmanya, M. H., (2004). Small Industry and Globalisation. Implications, Performance and Prospects, *Economic and Political Weekly*, Vol. XXXIX, No. 18, May 1, 2004. “Even though the study found evidence for assistance from TNC to its subcontracting SMEs, much of the assistance was confined to basic requirements of product related and purchase process dimensions of assistance. But the results bring out clearly that even such weak inter-firm linkages with a TNC through subcontracting are beneficial to Indian SMEs in terms of productivity improvements, particularly labour productivity and overall economic performance.”
 7. STAGE MODELS OF SME GROWTH RECONSIDERED-by Professor Richard G.P. McMahon, Head, School of Commerce, The Flinders University of South Australia,GPO Box 2100, Adelaide South Australia 5001. SCHOOL OF COMMERCE, RESEARCH PAPER SERIES: 98-5, ISSN: 1441-3906. “This paper once again seeks for a theoretically sound and empirically validated explanation of small and medium-sized enterprise (SME) growth to serve as a broad conceptual framework for research and policy-making regarding the business growth phenomenon”.
 8. TRADE AND INVESTMENT LIBERALIZATION EFFECTS ON SME DEVELOPMENT: A LITERATURE REVIEW AND CASE STUDY OF INDONESIA- By Tulus Tambunan*- This article was prepared as part of the implementation of the ARTNeT Regional Study on Trade and Investment Coordination. An unedited but more detailed version of it is available as ARTNeT Working Paper No. 42.”This article, thus, contributes to filling the gap by examining the impact of international trade and investment policy reforms, particularly in the post-crisis period, on the growth of SMEs in Indonesia”.
 9. Subcontracting Relationship of Indian SMEs with a Global TNC: Do SMEs Gain? How? By - R. Sudhir Kumar, Research Scholar, Department of Management Studies, Indian Institute of Science, Bangalore, 2008. “This paper probes the extent of linkages and diversity of assistance that Indian subcontracting SMEs would be able to obtain from a TNC customer based on primary data from SME subcontractors of a major TNC automobile manufacturer”.
 10. *Journal of Knowledge Management Practice*, Vol. 11, No. 2, June 2010.”Knowledge Management For SMEs In Developing Countries-By -Iftikhar Hussain, Steven Si, Adnan Ahmed, Shanghai University, China, Muhammad Ali Jinnah University, Pakistan. “Knowledge management helps in increasing productivity, effectiveness and efficiency in operations. Overlooking KM can seriously hamper the growth

and prosperity of a SME. The study takes this factor into consideration and proposed a KM approach specific to SMEs in developing countries. The study contributes on KM and SMEs literature in developing countries and is one of the few studies conducted in developing countries”.

Data and Data Source

The study is depending upon the secondary data, which were obtained from commissionerate of industries, Hyderabad, A.P and Ministry of msme, New Delhi, India. Other relevant information also obtained from various websites.

Period of the study

period of the study ranged between 2000 to 2011.i.e, there were 11 years during the study period.

Research Methodology

SPSS-17, Microsoft office Excel 2003 were used to calculate the descriptive statistics like Mean, Std. Deviation, Correlation, ANOVAs and Growth rates among the data.

Total Study PERIOD RETURN (TPR)

$$TPR = (P_1 - P_0) / P_0 * 100$$

Annual RETURNS

In this study, calculated annual return from stocks using continuously compounded Rate of Return (CCRR) Method

$$R_i = \ln (P_1 / P_t - 1)$$

Unlike a normal distribution, a log normal distribution is not symmetrical. Also, a log normally distributed variable has a minimum value of zero and maximum value of infinity, whereas a normally distributed variable has a minimum value of minus infinity and maximum value of infinity.

5. Standard Deviation

Standard deviation was used to calculate the growth rate volatility. It measures how widely values are dispersed from the average.

$$\sigma = (\sum X - \mu) / 2 / N - 1$$

Total Study period STANDARD DEVIATION

Annualized standard deviation was calculated using the below equation

$$A\sigma = \sigma * T$$

6. Correlation

$$\text{Correl}_{XY} = \text{cov}(X, Y) / \sigma_X * \sigma_Y$$

6.1 Co-Variance

Covariance indicates how two variables are related. A positive covariance means the variables are positively related, while a negative covariance means the variables are inversely related. The formula for calculating covariance of sample data is shown below.

$$\text{COV}(x, y) = \frac{\sum_{i=1}^n (x_i - \bar{x})(y_i - \bar{y})}{n - 1}$$

x = the independent variable

y = the dependent variable

n = number of data points in the sample

\bar{x} = the mean of the independent variable x

\bar{y} = the mean of the dependent variable y

6.2 Correlation Coefficient

To calculate the correlation coefficient for two variables

$$r_{(x,y)} = \frac{\text{Cov}(x, y)}{s_x s_y}$$

$r_{(x,y)}$ = correlation of the variables x and y

$\text{COV}(x, y)$ = covariance of the variables x and y

s_x = sample standard deviation of the random variable x

s_y = sample standard deviation of the random variable y

7. State Government Initiative Activities for Promoting MSMEs

7.1 Industrial Investment Promotion Policy 2005-10

Government of Andhra Pradesh have announced Industrial Investment Promotion Policy 2005-10, in the year 2005 extending various incentives for Micro, small & Medium Scale Industries. The objective of the policy

is to provide quality infrastructure at the doorstep of the industry, facilitate the industries meet the global quality standards and to support the industries for acquiring the latest methods and technological advancements taking place all over the world. Projects involving substantial expansion / diversification of existing industries in the eligible lines of activities are also entitled for benefits offered under the policy.

7.2 Industrial investment promotion policy 2010-15

Government of A.P has announced IIPP 2005-10 in the year of 2005 extending various incentives for MSMEs. It was revised in the year of 2010 , and announced a new IIPP 2010-15.

7.3 Focus on MSME

Recognizing the importance of MSMEs in creating a multiplier impact on the economic growth through large scale employment generation, exports and supplying mass consumption goods, a special focus is given to aggressively develop the MSME sector in the State. The following initiatives are proposed taking.

1. Strengthening and Revitalization of DICs

DICs were established in 1978 to serve as the nodal agency in the district to assist the entrepreneurs for establishment of the industries. District Industries Centers would be strengthened and revitalized for providing support services, which include: Preparation of District-wise detailed plans ,Comprehensive information on policies/schemes , Project profiles on viable activities , Marketing support ,Organizing entrepreneurship and skill development programmes ,Credit support ,Facilitating revival/rehabilitation of sick MSMEs.

2. Other Growth Enabling Incentives for MSMEs

As a support measure, MSEs will be provided investment subsidy and tax incentives in the initial Stages as indicated 15% investment subsidy limited to Rs, 20 lakhs to MSE's , Reimbursement of 100% VAT/CST or SGST for a period of 5 years.

3. Liberalizing the single window Act

Government have enacted "Industrial Single Window Clearance Act" in 2002 for speedy processing and issue

of various approvals/ clearances/ permissions required for setting up of an Industrial undertaking and also to create an investment friendly environment in the State. Statutory time limits have been prescribed for various departments and concept of deemed approvals have been introduced under this Act.

4. Credit Support

The State will extend the following support for credit flow to MSMEs:

Interest rebate reimbursement under Pavala Vaddi scheme on Prime Lending Rate on the term loan to an extent of 9% over and above 3% to MSEs for a period of 5 years. APSFC will provide loans to MSMEs in line with Commercial Banks under SIDBI - CGTMSE scheme. Seed capital assistance to First Generation Entrepreneurs to set-up Micro Enterprises @10% of the Machinery cost and the same be deducted from the eligible investment subsidy.

5. Marketing Assistance

Government of A.P is formulating a new Marketing Policy to safeguard the interests of local Micro and Small Enterprises, The policy highlights include:

Bill discounting facility will be made,10% price preference - the local Micro and Small Enterprises will be given an offer of reasonable part of the order at L1 , Reimbursement of cost incurred for quality certification/ patent registration @ 50% limited to Rs. 2.00 lakhs for MSMEs. Provide platforms for interaction between Enterprises in Andhra Pradesh and potential domestic and global markets through Trade Fairs, Road shows, Encourage the SMEs to participate in national and overseas business fairs & exhibitions, and international delegations ,Consider to create A Facilitation Council - a quasi-judicial body to redress the problems being faced by the local MSEs in marketing their quality products, Setting-up a permanent Exhibition-cum-convention Centre to exclusively display MSME products.

6. Technology Up gradation, Research & Development

Enhancing productivity through technological up-gradation is one of the key drivers of high

Economic growth. With globalization and increased competition, the survival of Industries using outdated

technologies is challenged. Therefore, to survive, grow and win, there is a pressing need for SME's to infuse technological innovations in their production processes, marketing and management functions. The initiatives include: Create Technology Facilitation Cell in the Commissionerate of Industries with the help of APTDC, TIFAC, CII, CSIR and local chamber of commerce to help MSMEs.

7. Revitalization of Sick Industries

The Sick Industries Revival and Rehabilitation Scheme of Andhra Pradesh has been widely

Acknowledged and appreciated all over India. Government of India is in process of finalization of a Scheme for Rehabilitation of Sick Micro, Small and Medium Enterprises by setting up a Rehabilitation Fund. Accordingly, the State would suitably modify its Scheme, taking advantage of the Sick units Revival and Rehabilitation scheme of Got.

8. Capacity Building / Skill development programme

Opportunity will be further provided to the industry to adopt more number of Technical Institutions to build an industry ready knowledge based skilled workforce. The Confederation of Indian Industry (CII) prepared a plan on "Mapping of Human Resources and Skills in A_P 2015", indicating the available man power, skill gaps and training needs.

9. Industrial Clusters

Cluster based approach is increasingly being recognized as sustainable, cost-effective and an inclusive strategy to ensure competitiveness and improvement of Micro, Small and Medium Enterprises (MSMEs). Considering the importance, the Government gives special emphasis on cluster development approach in the new Policy, which will enable the MSMEs to build their capacities in the clusters and gain from emerging global opportunities. Accordingly, Cluster Advisory Committee (CAC) will be constituted with Industrial Associations, ni-MSME, MSME-Development Institute (MSME-DI) etc as members for promotion of clusters by tapping the funds under various cluster development schemes of Government of India.

10. Incentives for SC/ST Entrepreneurs

Andhra Pradesh is the first State in the country to have an exclusive policy for SC/ST Entrepreneurs

for inclusive development of the State, which has been acknowledged as a path Breaking initiative and resulted in enterprises creation and industrial capacity building in them- To Take forward this initiative, the incentives offered in IIPP 2005-10 would be continued in the Industrial Investment Promotion Policy (IIPP) 2010-15.

11. Industrial Infrastructure Development Fund (IIDF)

Government have introduced a new scheme called "Industrial Infrastructure Development Fund (IIDF)" for providing financial assistance to infrastructure facilities at the doorstep of the proposed industrial estates as well as MSME units. Drinking Water and Industrial Water, Electricity, Telecommunications, Drainage, Laying of drainage line from the Unit/Industrial Estate to the existing point or to the natural drainage point, Roads, Any other infrastructure facilities as approved by the Government.

7.4 Overall growth rate of MSMEs

Investment limits were enhanced with the enactment of Micro, Small and Medium Enterprises Development (MSMED) Act 2006. Government of India have unveiled a policy best suited for the Micro, Small Enterprises with the objective to achieve 15% annual growth rate, increase employment generation, create congenial and hassle-free environment, help the SSI sector to acquire new technologies and skills, improve the export performance, promote linkage between the Large and Small Scale Sector and to promote an appropriate institutional mechanism to revive sick industries.

Overall Growth rate in India and A.P

No. Of units Fixed investment Employment

India 11.96% 19.76% 14.18%

A.P 2.00% 16.56% 3.48%

8. No. of units

In 1997 the number of MSE registered units are 1, 22,790. The number of units registered in the year of 2007 are 1, 49,206. Over a period of one decade

Registered Micro, Small and medium Enterprises in India and Andhra Pradesh

Year	No. of Units		Fixed Investment (Rs. crore)		Employment	
	India	A.P	India	A.P	India	A.P
2000	1,01,10,000	1,36,993	1,46,845	3,426	2,38,73,000	11,95,109
2001	1,05,21,000	1,39,041	1,54,349	3,752	2,49,33,000	12,20,542
2002	1,09,49,000	1,40,653	1,62,317	4,013	2,60,21,000	12,39,753
2003	1,13,95,000	1,42,294	1,70,219	4,248	2,71,42,000	12,64,046
2004	1,18,59,000	1,43,867	1,78,699	4,452	2,82,57,000	12,85,995
2005	1,23,42,000	1,45,499	1,88,113	4,718	2,94,91,000	13,10,071
2006	2,61,01,000	1,46,766	5,00,758	4,963	5,94,61,000	13,25,903
2007	2,72,79,000	1,49,206	5,58,190	5,850	6,26,34,000	13,61,922
2008	2,85,16,000	1,53,470	6,21,753	7,899	6,59,35,000	14,39,786
2009	2,99,74,000	1,58,173	7,75,652	10,504	7,62,48,000	15,32,015
2010	3,12,82,000	1,67,080	8,90,992	15,847	8,99,24,000	16,82,984

Source: Commissioner ate of Industries, Andhra Pradesh, Hyderabad.

there is a growth rate of 21%. The growth rate is consistent from the year 1997 to 2001. There is a decrease in the growth rate from the year 2002 to 2006. The growth rate increased from the year 2007 – 2010.

9. Fixed Investment

The Fixed Investment in MSE in 1997 – 98 is Rs. 2, 038 crores and the investment increased to Rs. 5, 850 crores in 2007 as a result the growth rate of the fixed investment in one decade is 65%. There is a consistent increase in the growth rate in the fixed investment up to the year 2002; however there is a slight decrease in the growth rate during the year 2003 – 04. There is a drastic improvement in the growth rate of fixed investment from the year 2006 to 2010.

10. Employment

The employment generated by the registered MSE in the year 1990 – 97 is 10, 47,193 and it has increased to 13, 61,992 in the year 2007. So, over a period of one decade the employment increased to 23.1%. There is a consistent improvement in the employment rate from 1997 to 1999. There is a steady decline in the employment rate from the year 2000 to 2006. The employment growth rate further increased from the year 2007 to 2010.

1,67,080 Micro, Small and Medium Enterprises are established providing employment to 16,82,984 persons, involving an investment of Rs.15,847 crores till the year 2010. The progress of the state in respect of number of enterprises works out to a growth rate of 2% over 2000 – 2010. The corresponding growth rate, for fixed investment is 16.3%, and for employment is 13.5%. Growth rates for specific periods as given in the above Table reveal variations, with 2000-04 recording the lowest rates, and recovery noticed from 2004, and with the best results brought about during 2007 – 10.

10.1 Data Analysis

There is a high correlation between the fixed investment and employment in A.P. Here fixed investment increases automatically employment also increases.

Here there is a high correlation between the fixed investment and employment in India. Fixed investment increases the employment generation also increases.

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Descriptive Statistics (A.P)

Particulars	Number	Minimum	Maximum	Mean	Std. Deviation
No. of Units in lakhs	11	136993	167080	147549.27	8997.172
Fixed investment in Crores	11	3426	15847	6333.82	3787.667
Employment in Lakhs	11	1195109	1682984	1350738.73	147908.816

Correlations (A.P)

Particulars	Method	Fixed investment in Crores	Employment in Lakhs
Fixed investment in Crores	Pearson Correlation	1	.982(**)
	Sig. (2-tailed)	.	.000
	N	11	11
Employment in Lakhs	Pearson Correlation	.982(**)	1
	Sig. (2-tailed)	.000	.
	N	11	11

** Correlation is significant at the 0.01 level (2-tailed).

Descriptive Statistics (INDIA)

Particulars	N	Minimum	Maximum	Mean	Std. Deviation
No. of Units in lakhs	11	10110000	31282000	19120727.27	9217044.994
Employment in Lakhs	11	23873000	89924000	46719909.09	24432395.247
Fixed investment in Crores	11	146845	890992	395262.27	281759.988

Correlations (INDIA)

Particulars	Method	Fixed investment in Crores	Employment in Lakhs
Fixed investment in Crores	Pearson Correlation	1	.997(**)
	Sig. (2-tailed)	.	.000
	N	11	11
Employment in Lakhs	Pearson Correlation	.997(**)	1
	Sig. (2-tailed)	.000	.
	N	11	11

** Correlation is significant at the 0.01 level (2-tailed).

Correlations (A.P Vs INDIA)

Particulars	Method	A.P Investment	India Investment
AP Investment	Pearson Correlation	1	.893(**)
	Sig. (2-tailed)	.	.000
	N	11	11
India Investment	Pearson Correlation	.893(**)	1
	Sig. (2-tailed)	.000	.
	N	11	11

** Correlation is significant at the 0.01 level (2-tailed).

Particulars	Method	A.P Employment	India Employment
AP employment	Pearson Correlation	1	.929(**)
	Sig. (2-tailed)	.	.000
	N	11	11
Indemp	Pearson Correlation	.929(**)	1
	Sig. (2-tailed)	.000	.
	N	11	11

** Correlation is significant at the 0.01 level (2-tailed).

Particulars	Method	A.P no. of units	India no. of units
A.P units	Pearson	1	.871(**)
	Correlation	.	.000
	Sig. (2-tailed)	11	11
	N		
India units	Pearson	.871(**)	1
	Correlation	.000	.
	Sig. (2-tailed)	11	11
	N		

** Correlation is significant at the 0.01 level (2-tailed).

Here there is a Moderate correlation between the employment / No. of units in India and employment / No. of units in A.P.

10.2 Region wise comparison of MSMEs in A.P.

A state of A.P. has been divided into three important regions i.e. Telangana, Coastal Andhra and Rayalaseema. This study is also concentrating about the regional imbalances of MSMEs growth and their results. The following table shows the regional wise classification of number of units, fixed investments and employment.

By observing the above analytical data, the telangana region shows good results when compared to the other two regions, i.e. overall growth rate in last decade is 2.67% in registered no. of units, 17.93% in fixed investment and 4.10% in employment generation. A least growth rate is identified in the Rayalaseema region over a period of one decade i.e.o.39% growth rate in the no. of units.13.42% growth rate in fixed investment and 2.8% growth rate in employment generation.

Quite interesting results came out from the above analysis. Over a period of time i.e. 2000-2010, there is a continues growth rate. The actual data of no. of units, fixed investment and employment is converted into percentages. Indicating a stagnation stage, the costal Andhra and Rayalaseema regions showed a negative growth rate in the same period. In this stage the growth of MSME industry stabilizes. The ability of the industry to grow appears to have been last. Growth may be increasing but a slower rate then that experienced by competitive industries i.e. large scale industry. One major important reason for this transaction is development of improved technology. MSMEs are not in the position of utilizing or importing the new technology. Because of fast change in the social habits, MSME products loose the market demand.

Share of Number of MSMEs, Fixed investment and Employment in Andhra Pradesh – Region – wise.

Year	No. of Units			Fixed Investment in Crores			Employment		
	Telen-gana	Costal Andhra	Rayalaseema	Telangana	Costal Andhra	Rayalaseema	Telen-gana	Costal Andhra	Rayalaseema
2000	63,428	57,674	15,891	1,730	1,370	326	5,48,555	5,07,921	1,38,633
2001	64,515	58,397	16,129	1,899	1,493	360	5,63,890	5,16,289	1,40,362
2002	65,544	58,934	16,175	2,043	1,589	381	5,76,485	5,23,176	1,40,092
2003	66,594	59,479	16,221	2,166	1,674	408	5,89,045	5,29,635	1,45,365
2004	67,474	59,704	16,689	2,279	1,736	437	6,00,560	5,37,546	1,47,889
2005	68,384	60,673	16,442	2,420	1,840	458	6,14,423	5,48,920	1,46,728
2006	69,274	60,614	16,879	2,551	1,921	491	6,23,174	5,51,576	1,51,153
2007	70,425	61,622	17,159	3,013	2,269	568	6,41,465	5,66,560	1,53,897
2008	73,180	62,769	17,649	4,360	2,851	687	6,91,097	5,90,313	1,58,376
2009	75,923	64,218	18,032	6,029	3,592	882	7,47,623	6,15,870	1,68,522
2010	82,621	67,935	16,524	9,003	5,695	1,149	8,20,118	6,79,925	1,82,940

Growth rate in AP – Region wise.

Telangana Costal Andhra Rayalaseema

No of units 2.67% 1.65% 0.39%

Fixed investment 17.93% 15.31% 13.42%

Employment 4.10% 2.96% 2.81%

Share of Number of MSMEs, Fixed investment and Employment in Andhra Pradesh – Region – wise (in %)

Year	No. of Units			Fixed Investment			Employment		
	Telangana	Costal Andhra	Rayalaseema	Telangana	Costal Andhra	Rayalaseema	Telangana	Costal Andhra	Rayalaseema
2000	46.3	42.1	11.6	50.5	40	9.5	45.9	42.5	11.6
2001	46.4	42	11.6	50.6	39.8	9.6	46.2	42.3	11.5
2002	46.6	41.9	11.5	50.9	39.6	9.5	46.5	42.2	11.3
2003	46.8	41.8	11.4	51	39.4	9.6	46.6	41.9	11.5
2004	46.9	41.5	11.6	51.2	39	9.8	46.7	41.8	11.5
2005	47	41.7	11.3	51.3	39	9.7	46.9	41.9	11.2
2006	47.2	41.3	11.5	51.4	38.7	9.9	47	41.6	11.4
2007	47.2	41.3	11.5	51.5	38.8	9.8	47.1	41.6	11.3
2008	47.6	40.9	11.5	55.2	36.1	8.7	48	41	11
2009	48	40.6	11.4	57.4	34.2	8.4	48.8	40.2	11
2010	49.45	40.66	9.89	56.81	35.94	7.25	48.73	40.40	10.87

Source: Commissioner ate of Industries, Andhra Pradesh, Hyderabad.

Growth rate in AP – Region wise (in %)

Telangana Costal Andhra Rayalaseema
 No. Of Units 0.66% -0.34% -1.59%
 Fixed investment 1.19% -1.06% -2.67%
 Employment 0.68% -0.35% -0.65%

There is a low correlation between the Investment in Telangana and Costal Andhra and also in Rayalaseema. The fixed investment increases in Telangana the both coastal Andhra and Rayalaseema facing the down fall.

10.3 Data Analysis

Invest Ment (Descriptive Statistics)

Region	N	Minimum	Maximum	Mean	Std. Deviation
Telangana	11	50.5	57.4	52.528	2.6005
Coastal Andhra	11	34.2	40.0	38.231	1,9130
Rayalaseema	11	7.3	9.9	9.250	0.8139

The linear relationship between the investment in Telangana and Coastal Andhra.

$$Y = -1.345 + 0.028x$$

Where as Y = Investment of Coastal Andhra
 X = Investment of Telangana

Correlations

Region Method	Telangana	Coastal Andhra	Rayalaseema
Telangana Pearson Correlation	1	-0.982	-0.892
Sig. (2-tailed)	.	0.000	0.000
N	11	11	11
Coastal Andhra Pearson Correlation	-0.982	1	0.791
Sig. (2-tailed)	0.000	.	0.004
N	11	11	11
Rayalaseema Pearson Correlation	-0.892	0.791	1
Sig. (2-tailed)	0.000	0.004	.
N	11	11	11

There is a negative correlation between the employment of Telangana and Coastal Andhra and Rayalaseema. Here there is a positive correlation between the employment of Coastal Andhra and Rayalaseema.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000	1.000	1.000	0.0324

a. Predictors: (Constant), Rayalaseema, Telangana.

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.589	2	18.294	17,373.609	0.000
	Residual	0.008	8	0.001		
	Total	36.597	10			

a. Predictors: (Constant), Rayalaseema, Telangana.

b. Dependent Variable: Coastal Andhra

**Correlation is significant at the 0.01 level (2-tailed).

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	99.625	0.698		142.644	0.000
	Telangana	-0.996	0.009	-1.354	-114.127	0.000
	Rayalaseema	-0.981	0.028	-0.417	-35.164	0.000

a. Dependent Variable: Coastal Andhra

EMPLOYMENT: Descriptive Statistics

Region	N	Minimum	Maximum	Mean	Std. Deviation
Telangana	11	45.9	48.8	47.130	.9704
Coastal Andhra	11	40.2	42.6	41.591	.7635
Rayalaseema	11	10.9	11.6	11.288	.2436
Valid N (list wise)	11				

Correlations

Region	Method	Telangana	Coastal Andhra	Rayalaseema
Telangana	Pearson Correlation	1	-.992(**)	-.925(**)
	Sig. (2-tailed)	.	.000	.000
	N	11	11	11
Coastal Andhra	Pearson Correlation	-.992(**)	1	.874(**)
	Sig. (2-tailed)	.000	.	.000
	N	11	11	11
Rayalaseema	Pearson Correlation	-.925(**)	.874(**)	1
	Sig. (2-tailed)	.000	.000	.
	N	11	11	11

** Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999(a)	.999	.998	.0304

a. Predictors: (Constant), Rayalaseema, Telangana

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.822	2	2.911	3145.054	.000(a)
	Residual	.007	8	.001		
	Total	5.829	10			

a. Predictors: (Constant), Rayalaseema, Telangana

b. Dependent Variable: Coastal Andhra

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	99.944	2.361		42.339	.000
	Telangana	-1.006	.026	-1.279	-38.508	.000
	Rayalaseema	-.969	.104	-.309	-9.315	.000

a. Dependent Variable: Coastal Andhra

The linear relationship between the employment of Coastal Andhra and Rayalaseema.

$Y = 99.944 - 1.006 X_1 - 0.969 X_2$ where it as

Y = Employment in Coastal Andhra

X = Employment in Rayalaseema

11. Conclusion

During, last 50 years majority of the MSMEs are located in one regional area. But this is not helpful for total economical growth or development of the state. Within, last one and a half decade, the Government of A.P. has announced the many schemes for development of the MSMEs. These schemes and policies are not helpful for reaching the objectives of the A.P. Govt. In comprising to the national growth levels, the A.P. state MSMEs growth rate is very low. The Govt. will take a many more decisions for improving the MSMEs. The following important points are helpful for developing the MSMEs.

1. Special funds allocation for MSMEs in the state budget.
2. Liberalization of single window act & credit policies.
3. Announcing the special incentives for rural unemployment youth.
4. Integrating the MSMEs through agricultural sector.
5. Govt. will extend their hand to MSMEs for importing the advanced technology.

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