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Collaborative Attitude of Micro-Small-Medium Enterprises (MSME) towards Self-Help Group (SHG) in Puducherry

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ABSTRACT

The aim of this paper is to find out the collaboration attitude of Micro-Small-Medium Enterprises(MSME) towards Self-Help Group (SHG)in the Union Territory of Puducherry region. The research variables were identified from the literature review relating to collaboration attitude of MSME and primary data of 127 random sample of MSMEs was collected through survey method using well-structured questionnaire. The statistical package of SPSS was utilized to analyze the data using the statistical techniques of descriptive statistics and Analysis of Variance test. Results shows that MSME organizations feel that there is an advantage with the local suppliers and they are strongly in favor of them which may be an important factor in favor of the SHG.

1. Introduction

Microenterprises have served several purposes such as in economic development of the individual, employment generation, community economic development, poverty alleviation and empowerment to the various strata in society. In India much of the population living in the rural areas draw their livelihood from agriculture and its allied sectors. Therefore the aim of the government has been to promote employment opportunities through the linkage of production, skills along with the available raw materials(Vasanthakumari, 2012). Such production enhancement is to enable the people to take advantage of the new pace of globalization which has provided new opportunities and newer challenges for the microenterprise sector in India.

The microfinance scheme was also introduced as a measure to reduce poverty by providing access of finance to the vast number of poor in India(Adams, 2009). Microfinance consists of two types of schemes; the first is individual lending scheme and the second the more popular group lending scheme. This micro financing has been introduced to enable poorer sections to commence and operate economically viable activities through the formation of microenterprises as Self Help Groups (SHGs). The SHGs are small groups being formed for savings, developing thrift and obtaining collateral free loans called microcredit(Shanmugam, 1991). This microfinance has helped create microenterprises started by Self Help Groups. These microenterprises have been formed by the SHG to run operations pertaining to sustainable income generating activities(Awa, Kalu, & Awara, 2010)

The Ministry of Micro, Small and Medium Enterprises and their supporting organizations undertakes important activities, programmes and schemes which seek to facilitate adequate flow of credit from financial institutions and banks, support for technology upgradation and modernization, integrated infrastructural facilities, modern testing facilities and quality certification, access to modern management practices, entrepreneurship development and skill upgradation through appropriate training facilities, support for product development, design intervention and packaging, welfare of artisans and workers, assistance for better access to domestic and export markets and cluster-wise measures to promote capacity-building and empowerment of the units(Kumar, 2010) and this study will help to answer the research questions of the collaboration attitude of Micro-Small-Medium Enterprises(MSME) towards Self-Help Group (SHG)in the Union Territory of Puducherry region..

2. Review of Literature

In India in accordance with the provision of the Micro, Small and Medium Enterprises Development Act (MSMEDA) of June 2006, the Micro, Small and Medium Enterprises can be classified as: a) Micro Enterprises: Manufacturing Sector: Those Enterprises which do not have investment in Plant and machinery Greater than Rs. 25 lakhs. Service Sector: Those Enterprises which do not have investment in equipment's greater than Rs.10 lakhs. b) Small Enterprises: Manufacturing Sector: Those enterprises which have investment in Plant and machinery Greater than Rs. 25 lakhs but less than Rs. 5 Crores. Service Sector: Those Enterprises which have investment in equipments greater than Rs. 10 lakhs and not greater than Rs. 2 Crores. C) Medium Enterprises: Manufacturing Sector: Those Enterprises which have investment in Plant and machinery Greater than Rs. 5 Crores but does not exceed Rs. 10 Crores. Service Sector: Those Enterprises which have investment in equipments greater than Rs. 2 crores but does not exceed Rs. 5 Crores. The rest of the industries have been categorized as large scale enterprises. (Source: Ministry of Micro, Small and Medium Enterprises, Website: www.msme.gov.in)

The factors that have to be considered and analyzed for the successful operation of microenterprises and before starting the activities of a microenterprises by an individual are investment required, marketability of product, number of workers available, geographical distribution of market, skill and technology

availability, availability of raw materials and profitability of product(Doh, 2005). The tasks of a microenterprise entrepreneur are many that requires multiple skills and their functions need to be analyzed properly in the course of becoming an entrepreneur. Some of the important tasks before an entrepreneur are in areas of finding business opportunities, forming business plans, using production skills, understanding and using financial statements, acquiring funding, understand legal aspects, learning marketing skills and managing risks of functioning(De Mel, McKenzie, & Woodruff, 2009).

Microenterprises operations needs certain important services that may assist in their development. Such services can be provided by any agency which have the potential and interest to perform them. Some of these services that can be provided are business development services, information on potential markets, product design, service centers for office space, communication technology, finance for product development, legal and any other professional advice. Such services when accessed by the microenterprises help them in vastly improving their performance leading to successful operations(Gebremariam, Gebremedhin, & Jackson, 2004). In India according to the statistics of Ministry of Micro, Small and Medium Enterprises, Micro, Small and Medium Enterprises (MSME) contribute almost 8 percent of the India's GDP, 45 percent of the manufacturing output value and also 40 percent of the exports. Micro, Small and Medium Enterprises also provide the largest share of employment next to agriculture. (Source: Ministry of Micro, Small and Medium Enterprises: website: www.msme.gov.in).They have also become nurseries for entrepreneurship and innovation to develop. Micro, Small and Medium Enterprises have a wide geographical dispersion across the country and have developed the capacity to produce a diverse range of products and services to meet the needs of several markets, both local and global and in taking part in contributing to the national and international supply chains(Heilman & Chen, 2003).

Eapen (1996)states that finance plays an important part in production activity for purposes of equipment purchasing, stocking raw materials and other working capital needs and the new concept of group lending has gained popularity for such financing. Shaw (1990)in the study of linkage between large scale industries, small scale industries and informal sector industries indicate that linkage between large scale, Small scale and informal sector were based on type of industry and were not common to all industries(Wiboonchutikula, 2002). Large scale petrochemical companies had weak links with small scale industries but strong links with other large scale organizations, while large scale engineering companies had stronger links with small scale industries which act as ancillary production units(Vasanthakumari, 2012). Also large scale industries and informal sector were mainly linked in the area of industrial waste management such as sorting of industrial wastes and their sales and not in other areas. Further to this, based on the above review of literature the variables of training, production and retail and MSME linkage were identified to be included as variables part of the study. Similarly the variables of Attitude to outsourcing, Attitude to SHG, Legal requirements and Training facilities were also identified to be included as part of the study pertaining MSME linkage(Ssewamala & Sherraden, 2004).

3. Research Methodology

The purpose of the research work is to analyze and describe the collaboration attitude of Micro-Small-Medium Enterprises(MSME) towards Self-Help Group (SHG)in the Union Territory of Puducherry region. It can be hence understood that the research is descriptive in nature. First, subject experts' options survey was conducted on the identified variable for questionnaire validity checking and required corrections were incorporated (Ganeshkumar & Mohan, 2014; Ganeshkumar & Nambirajan, 2013). The pilot survey of 30 MSMEs was collected and initial Cronbach's- alpha value were estimated for checking the reliability of the questionnaire. Primary data for the main study was collected through the survey method of 127 random sample of MSMEs were identified from the list of SHG maintained in the various banks, NGOs and Municipal bodies. The data was collected from the executives of MSMEs by means of well-structured questionnaire. The statistical package of SPSS was utilized to analyze the data using the statistical tools descriptive statistics with frequency analysis and simple mean, and Analysis of Variance test (Hair, Black, Babin, Anderson, & Tatham, 2006).

4. Results and Discussion

Data analysis and interpretation of the sample Micro-Small-Medium Enterprises (MSME) studied is portrayed in this section. Details such as attitude to SHG, difference between Type of Industry and Attitude to SHG are analyzed in the following section

4.1 Attitude to SHG

The attitude to SHG indicates the organizations favorable understanding of the functions of the SHG. Though SHGs are formed for the purpose of economic development and are willing to undertake many activities which may have an economic potential, many organizations are not aware of the interest and capacity of the SHG to perform these functions. The attitude of the SHG indicates the favorable inclination of the MSME to provide economic activities that can be completed by them. The attitude of SHG is based on the information that have been acquired by the companies. The opinion on the various aspects of attitude has been obtained through a five point scale and their mean values along with the ranks have been shown in the table below.

Table 1 Mean Analysis of Attitude to SHG

Attitude to SHG	Mean	Ranks
Advantage with Local Supplier	3.86	I
Willing to Permit SHG inside company	3.08	II
SHG can Produce for you	2.66	III
SHG can Assist in Manufacturing	2.62	IV

From the above table it can be seen that the aspect which has been ranked first indicating a mean value of 3.86 pertains to the advantage with local suppliers. This indicates that organizations feel that there is an advantage with the local suppliers and they are strongly in favor of them which may be an important factor in favor of the SHG. The aspect ranked second with a mean value of 3.08 pertains to willingness to

permit SHGs inside an organization which shows the favorable attitude of the MSME towards SHG and an inclination to permit SHGs to do organizational work. The low mean value of 3.08 indicates that the MSME are not fully in favor of permitting SHG inside their organizations. The aspect ranked third with a mean value of 2.66 pertains to capacity of SHG to produce for organizations which indicates that the MSME do not feel that the SHG can produce for organizations. The mean value of 2.66 indicates that organizations do not have a sufficiently good opinion that the SHG have the production abilities pertaining to MSME. The aspect ranked fourth and last with a mean value of 2.62 pertains to Can SHGs assist in Manufacturing Activities which indicates that MSME do not have an opinion that the SHG can assist in manufacturing. The mean value of 2.66 also indicates the low opinion of MSME on the ability of SHG to assist in manufacturing activities.

4.2 ANOVA test for significant difference between Type of Industry and Attitude to SHG

The ANOVA test to find the significant difference between demographic variable Type of Industry and Attitude to SHG is shown below.

Table 2 ANOVA Test result for significant difference between type of industryand attitude to SHG

Factor	Category of Industry	Mean	Std. Deviation	F value	P value
Attitude to SHG	Chemical	11.62	3.117	1.224	0.287
	Food	12.67	2.582		
	Textile	11.83	3.189		
	Plastics	13.14	3.242		
	Engineering	11.73	3.042		
	Pharmaceuticals	11.57	2.507		
	Electronics	14.67	3.215		
	Glass	10.33	2.517		
	Paper	12.77	3.723		
	Other	10.93	2.018		
	Total	12.22	3.081		

Since p-value is greater than 0.05 the null hypothesis is accepted at 5 percent level of significance with regard to attitude to SHG. Hence it is concluded that there is no significant difference between type of industry and attitude to SHG. Attitude to SHG and type of industry link is slightly higher in the electronic, plastic industry, paper industry, food industry and textile industry but not significant at 5% level.

4.3 ANOVA Test for significant difference between Nature of Product and Attitude to SHG

The ANOVA test to find the significant difference between demographic variable Type of Product and Attitude to SHG is shown below.

Table 2ANOVA test results for significant difference between Nature of Product and Attitude to SHG

Factor	Nature of product	Mean	Std. Deviation	F value	P value
Attitude to SHG	Raw Material	12.25	3.151	1.790	0.152
	Component	11.71	3.153		
	Finished Product	11.96	2.574		
	Packing Product	13.34	3.638		
	Total	12.22	3.081		

Since p-value is greater than 0.05 the null hypothesis is accepted at 5 percent level of significance with regard to attitude to SHG. Hence it is concluded that there is no significant difference between type of product produced and attitude to SHG. Attitude to SHG is slightly higher for raw material and packing product but not at significant level.

4.3 ANOVA Test for significant difference between Turnover of Company and Attitude to SHG

The ANOVA test for significant difference between Turnover of Company and Attitude to SHG is presented below.

Table 3 ANOVA test results for significant difference between turnovers of industry attitude to SHG.

Factor	Turnover	Mean	Std.Dev	F value	P value
Attitude to SHG	Upto 1	12.27	3.236	0.472	0.702
	1-5	11.95	3.039		
	5-25	12.52	3.108		
	Above 25	13.33	2.422		
	Total	12.22	3.081		

Since p-Value is greater than 0.05 the null hypothesis is accepted at 5 percent level of significance with regard to attitude to SHG. Hence it is concluded that there is no significant difference between turnover and attitude to SHG. Attitude to SHG and industry turnover link is slightly higher for industries with turnover of above Rs.25 crores and 5-25 crores but not at significant level.

5. Conclusions and Implication

Research concludes that the mean value of 3.86 pertains to the advantage with local suppliers. This indicates that organizations feel that there is an advantage with the local suppliers and they are strongly in favor of them which may be an important factor in favor of the SHG. The aspect ranked second with a mean value of 3.08 pertains to willingness to permit SHGs inside an organization which shows the favorable attitude of the MSME towards SHG and an inclination to permit SHGs to do organizational work. The low mean value of 3.08 indicates that the MSME are not fully in favor of permitting SHG inside their organizations. ANOVA result shows that there is no significant difference between type of industry and attitude to SHG. Attitude to SHG and type of industry link is slightly higher in the electronic, plastic industry, paper industry, food industry and textile industry but not significant at 5% level. Second, there is no significant difference between type of product produced and attitude to SHG. Attitude to SHG is slightly higher for raw material and packing product but not at significant level and Third, there is no significant difference between turnover and attitude to SHG. Attitude to SHG and industry turnover link is slightly higher for industries with turnover of above Rs.25 crores and 5-25 crores but not at significant level.The research study endeavors to study the various distribution linking activities of MSME with SHG in the Union Territory of Puducherry Region. The study will be a useful guide for making strategic decisions for the development of SHGs. Thus this research will be of immense utility to the Government, Banks, Microfinance Organizations and other policy makers.

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