



Tows matrix: Analysis on strategies of small and medium scale enterprises (SMEs) in India (With reference to Andhra Pradesh SMEs)

Dr. Swetha Thiruchanuru

Assistant Professor, Department of Management & Commerce (DMC), Sri SathyaSai Institute of Higher Learning, Ananthapuram, Andhra Pradesh, India

Abstract

Small and medium enterprises (SMEs) contribute a predominant role to the industrial, economic, technological and regional development in all developed and developing economies. The study has been conducted 300 Manufacturing SMEs in Rayalaseema region of Andhra Pradesh. It is an overt fact that the role of micro, small and medium scale industries in any nation's economic and industrial development are very crucial. SMEs are providing nearly 90% of new entry jobs in India. But at the same time, SMEs are facing ample functional problems in the study area. In this Context, the present article deals with the analysis of Strengths & weaknesses, Opportunities & Threats of SMEs. Further to provide a situational analysis of SMEs to generate the strategies by TOWS matrix.

Keywords: small and medium enterprises (SMEs), swot matrix, tows analysis, strategic enterprises

Introduction

The role of micro, small and medium scale industries in any nation's economic and industrial development are very crucial. It is an overt fact. SMEs are providing nearly 90% of new entry jobs in India. The central government of India estimates that 4.47 crore micro, small and medium scale industries provide employment to 10.12 crore people in the year 2012-2013 all over in India.

The Indian SME market is valued at \$5 billion. The 11 million SME units, which make up the Indian SME sector, produce over 8000 products. These constitute 95% of all industrial units and contribute 40% to industrial output. The SME sector also plays a significant role in the development of entrepreneurial skills and forms a substantial portion of the country's export earnings. (Swatantra Chhabra Kalra, CEO, 2009) [1].

The government of India strives to develop the socio and economic condition of the people by development in Small and medium scale Industries. Micro, small and medium scale industries have their own strengths. It has been characterized by their traditional strengths of relatively low investment requirements, effective resource utilization, greater operational flexibility, mobility and higher innovativeness. Further, its contribution towards balanced regional development, proper uses of local resources and talent is striking

SMEs - Scope

The structural arrangement of MSMEs in India shows that Food processing and food linkage industries, Agro-based industries, Pharmacy based or Chemical based industries, leather, ceramic, plastic industries, granite, paper printing and publishing industries, electrical and electronics, handicrafts, Mineral based, printing industries, vegetable seed farming,

poultry, fruit processing, silk industries, fisheries, dairy, ginning, furniture, meat products, Bio-engineering, sports Goods, plastic Products, electro-medical equipment, textiles & garments, Leather & Leather goods etc.

Further, the contribution of products includes food products and beverages (14.26%), wearing apparel (13.67%), fabricated metal products (8.96%), repairs and maintenance of personal and household goods, retail trade (8.46%), textiles (6.78%), furniture (6.36%), machinery and equipment (4.66%), other non-metallic mineral products (3.77%), repairs and maintenance of motor vehicles, retail sale of automotive fuel, personal and household goods retail trade (3.72%), wood and wood products (3.53%) and others (25.85%).

The scope of activities performed and the relevant terminology used in different countries are summarized as follows, (C.L. Bansal).

Table 1: SMEs-scope

Country	Terminology	Scope
Japan	Small enterprises	Manufacturing, Mining, Services, Trading
Korea	Small enterprises	Manufacturing, Repair, and Maintenance
USA/Canada	Small Business	Manufacturing, Service, Trading, and commerce
UK	Small Firms	Manufacturing, Trading, construction, Mining Transport
India	Small Industry	Manufacturing, Repair, and services

Objectives of the study

1. To highlight the strengths & contribution of SMEs in an Indian industrial sector.
2. To study the internal environment by developing SWOT matrix of SMEs in Andhra Pradesh

3. To develop strategic options for external-Internal analysis by using TOWS matrix.

Research Methodology

The small and medium scale units data found from the records were highly heterogeneous in character so far as capital investment, employment, and nature of production concerned. It is essential that industrial units should be made homogenous as far as possible before drawing samples for study. At the time of inquiry, the SME units are registered, with the criteria of industry working in operation with minimum 2years and classified into three organization forms by the APSFC of Rayalaseema. The industries identified were categorized as Agro-based, food industry, textile-based, mineral based, electrical and electronics, chemical based.

As Rayalaseema region consisting of 4 districts, 38 SMEs were selected from Anantapur district, 77 SMEs from Kurnool, 50 from Kadapa and 135 SMEs from Chittoor. The total Sample size was 300 SMEs but among 250 SMEs responses were considered for the study.

Strengths of SMEs

SME sector occupied major contribution to the overall industrial sector. The size of registered SMEs as per the fourth census has been estimated as 15.64 lakh of the total working enterprises. The proportion of the sector is for Micro industries it occupied 94.94%, small-scale Industries occupied 4.89 percent and medium scale enterprises occupied 0.17 percent. As SMEs has divided into two types based upon its activities i.e., Manufacturing and service sector. The proportion of these SMEs is about 67.10 percent and 32.90 percent respectively

Small and medium enterprises contribute to the nation's economic development in various ways such as creating employment opportunities for rural and urban population, providing goods and services at affordable cost by offering different innovative solutions and sustainable development to the economy as a whole. The SME sector has grown rapidly over the years. The contribution of SMEs towards economic development is highly remarkable as compared to any other sectors of the economy. Its contribution towards Investment, Employment generations, Export, GDP, Production etc. in every area is highly significant.

As per available statistics, this sector employs an estimated 31 million persons spread over 12.8 million enterprises and the labor intensity in the SME sector is estimated to be almost 4 times higher than the large enterprises.(MSME Annual Report 2014-15) [5].

Gross Domestic Product (GDP)

The micro, small and medium enterprises (MSMEs) contribute 10% to the country's gross domestic product (GDP). From 3-4 percent to 6 percent and to 8-9 percent now, the growth story has to move and will move to the higher level of about 10 percent soon and that is what the country needs. The SMEs alone contribute to 8 percent of India's GDP.

Skill development and training Programmed

In line with the overall target set by the Prime Minister's National Council on Skill Development, the Ministry of

MSME and the agencies under it will conduct skill development programs for 4.78 lakh persons during 2011-12. Further, the Ministry aims to train 5.72 lakh persons in the year 2012-13 through its various programs for development of self-employment opportunities as well as wage employment opportunities in the country.

Marketing Assistance and Technology Up gradation Scheme

The objective of this scheme is to identify and encourage those clusters of SMEs, which have quality production and export potential and assist them to achieve competitiveness in the national and international markets. The scheme aims at improving the marketing competitiveness of SME sector by improving their techniques and technology of their products for promotion of exports. The broad activity planned under the scheme includes technology up gradation in packaging, development of modern marketing techniques, competition studies, etc.

Incubators

Incubators provides assistance to the start-ups and manufacturing industries in the better ways.

Priority Sector Lending

Credit to the SMEs is part of the Priority Sector Lending Policy of the banks. For the public and private sector banks, 40% of the net bank credit (NBC) is earmarked for the Priority Sector. For the foreign banks, however, 32% of the NBC is earmarked for the Priority Sector, of which 10% is earmarked for the MSE sector. Any shortfall in such lending by the foreign banks has to be deposited in the Small Enterprise Development Fund (SEDF) to be set up by the Small Industries Development Bank of India (SIDBI).

Credit Guarantee Fund Trust for MSME (CGT-MSME)

The Ministry of MSME and GoI have launched the credit guarantee scheme to strengthen the credit guarantee scheme and facilitate the flow of credit to the MSME sector. For implementing the scheme, the government of India and SIDBI has set up Credit Guarantee Fund Trust, which makes credit available to new as well as existing Micro and Small Enterprise, including Service Enterprises, for loans up to ` 10millions without collateral security or the third party guarantees.

Technology and Quality Up gradation Support to MSMEs

The objective of the Scheme is to sensitize the manufacturing of SME sector in India to upgrade their technologies, usage of energy efficient technologies to reduce emissions of Green House Gases, adoption of other technologies mandated as per the global standards, improve their quality and reduce the cost of production, etc., towards becoming globally competitive. The major activities planned under the scheme include Capacity Building of MSMEs Clusters for Energy Efficiency or Clean development Interventions, Implementation of Energy Efficient Technologies in MSME sector, Setting up of Carbon credit aggregation centers and encouraging MSMEs to acquire product certification licenses from National and International bodies.

Introduced Single-window clearances

Andhra Pradesh State has undertaken wide-ranging measures to nurture small and medium scale industries in the way of simplified, less restrictive regulations, labor, and fiscal reforms and by providing various incentives

SWOT analysis of SMEs

A SWOT analysis of SMEs needs to start with defining a desired objective of the researcher. A SWOT analysis will be incorporated into the strategic planning model of any Industries or Organizations etc.. (Gupta, 2013) The SWOT analysis description of the studies elaborates as follows

1. Strengths

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

The detailed explanation of each internal environment as discussed below

1. **More customers focused:** Customer-focused marketing is the process of determining customer needs and wants in

order to drive the working force behind the company's products and services. Staying competitive in any industry requires a marketing strategy that revolves around the customer

2. **Flexibility:** MSMEs have the ability to react quickly to changes in the marketplace. There is no hierarchy in place that slows down the decision-making process. If entrepreneur finds the opportunity to challenge a competitor she/he can do without obtaining approval from a board of directors. Compare to Big companies job description

1. Large-scale companies have a Cast-in-stone job description that hinders an employee's growth potential but MSES Job descriptions can be flexible as well.

2. Innovativeness: small is beautiful. SMEs are much focused and Innovative in its nature.

3. **High visible Top management & Quick to seize Opportunities:** The less hierarchy is an advantage to MSMEs.



Source: SWOT MATRIX Primary data

Fig 1: SWOT Analysis of SMEs in Andhra Pradesh

2. Weaknesses

Weaknesses are characteristics that place the firm at a disadvantage relative to others.

SMEs has been facing problems with unskilled labor, Poor access to Finance and financial scarcity, Low strategic thinking & Planning, Lack of access to new technology.

3. Opportunities

External chances to make greater sales or profits in the environment.

Government policies and initiatives: Keeping the weakness aside, Indian MSMEs today have access to ample opportunities like never before. The Government policies like Make in India and India First have taken place which opens

the door to the great source of revenue of Indian Small entrepreneurs.

4. Threats

These are the external elements in the environment that could cause trouble for the business.

1. **Quality of products:** Although they Indian SMEs have upgraded their product and service in terms of quality, it is yet to match the international standards. If MSMEs wants to occupy the best and unshakable position in the global market, the output needs to be accordance with international standards.

2. **Competition:** competition from both local SMEs and MNCs

3. Frequent increase input costs, Inadequate Power Supply, High distribution costs

Tows Strategic Matrix: A situational analysis on Rayalaseema Manufacturing SMEs

TOWS matrix has been used for situational analysis to develop strategic options from the external-Internal analysis. The entrepreneurs can use these techniques to think about the

strategy of the whole enterprise, a department or a team. TOWS analysis (heiz wehrich, 1982) helps to get a better understanding of the strategic choices that MSMEs face. The TOWS matrix is a very good tool for generating strategies. By using this strategy, entrepreneurs can focus on how they can best take advantage of the opportunities at the same time by minimizing weaknesses and protect themselves against threats.

Table 1: Tows Matrix

	External Opportunities	External Threats
	E1: Enhanced credit support E2: Support for technological Up-gradation E4: Government policies and initiatives E5: Marketing Assistance E6: Incubators	Quality of products Competition Frequent increase input costs Inadequate Power Supply High distribution costs
Internal Strengths	SO (Maxi-Maxi Strategy)	ST (Maxi-Mini strategy)
S1: More customer focused : S2: Flexibility S3: Innovativeness S4: High visible Top management S5: Quick to Seize Opportunities	Strategy that use strengths to maximize opportunities Attacking strategy Innovation the products/services by using the vast opportunities.	Strategy that use strengths to minimize threats Value creation Learn about the needs of the markets on consumer survey or a basic research. Reduce the distribution channel to cut down the costs. Defensive Strategy
Internal Weaknesses	WO (Mini-Maxi Strategy)	WT (Mini-Mini strategies)
1. Skilled labor, 2. Poor access to Finance / financial scarcity. 3. Low strategic thinking & Planning 4. Lack of access to new technology	Strategies that minimize weaknesses by taking advantage of opportunities) 1. By collaboration of educational institutions with industries. 2. start-ups can take assistance from Incubators and angel investors 3. Adopt the technology by using government schemes effectively	Strategies that minimize weaknesses by avoiding threats Focus on R & D and keep innovating. Strengthen the product & service quality by continuous improvement. Take the help of trading houses (strategic assistance, promotion etc) to export the products/services

Source: Primary data

Conclusion

To encapsulate, Small and medium enterprises contribute to the nation’s economic development as the whole. There are many support schemes like make in India, startup India and various innovative schemes for SMEs from the Government is the evidence the importance of SMEs in the nation's economy. SMEs in Rayalaseema region of Andhra Pradesh is being operated under many constraints, it can be solved only by the effective functioning of business functions and effective implementation of schemes and Government support in the mentioned areas. Further, by using the swot analysis SMEs internal environment has been emphasized with this by analyzing tows matrix the external environment has been emphasized in generating strategic options.

References

1. Swatantra Chhabra Kalra. CEO. SMEs in India: The Challenges Ahead, 2009.
2. Bansal CL. Entrepreneurship and small business Management. New Delhi: HAR-Anand publications.
3. Gupta T. swot analysis of small industries in India. IJMSSR, 2013, 27.
4. Heiz wehrich P. tows Matrix, 1982.
5. (MSME Annual Report, 2014-15.