

## MARKETING ISSUES FACED BY MSMEs IN KOTTAYAM DISTRICT

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### Abstract

The Micro, Small and Medium Enterprise sector has emerged as a highly vibrant and dynamic sector of the Indian economy. Fast changing global economic scenario has thrown up various opportunities and challenges to the MSMEs. Marketing is a strategic tool for business development and the most important factor for the success of any enterprise. In the present competitive age, marketing is one of the weakest areas where in MSMEs face major problems.

This paper is an attempt to analyze the marketing issues faced by MSMEs. The study uses statistical tools like percentages, mean etc to analyze the data. For testing the hypotheses ANOVA is used. The main variables identified include marketing issues, effectiveness of advertisement, competition and creation of brand name.

**Key Words:** MSMEs, Marketing issues, Advertisement, Competition, Brand name.

### INTRODUCTION

The micro, small and medium enterprise sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last 5 decades. MSMEs provide large employment opportunities and also help in industrialization of rural and backward areas thereby reducing economic imbalances. MSMEs act as ancillary units to large industries and contribute enormously to the socio-economic development of the country. Fast changing global economies scenario has thrown up various opportunities and challenges to the MSMEs in India.

Kottayam is a city in the Indian state of Kerala. The city is an important trading center of spices and commercial crops, especially rubber. Kottayam district has rich mineral deposits of lime shell and graphite. Granite is also available in highland position of Kanjirappally Taluk which can be utilized by industries engaged in the stone crushing granite and polishing etc. Another abundantly available mineral resource in Vaikom, Meenachil and Changanacherry Taluk is clay which can be utilized for manufacturing bricks, blocks, tiles and other pottery items. Thus there is huge potential for MSMEs in Kottayam district. At present there are around 18088 MSMEs in Kottayam district.

### THEORETICAL FRAMEWORK

#### DEFINITION

In accordance with the provision of MSME Development Act 2006, the MSMEs are classified in 2 classes:

#### 1) MANUFACTURING ENTERPRISES

The enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act 1951). The manufacturing enterprise is defined in terms of investment in plant and machinery.

#### 2) SERVICE ENTERPRISES

The enterprise engaged in providing or rendering of service are defined in terms of investment in equipment.

	MANUFACTURING SECTOR	SERVICE SECTOR
Enterprise	Investment in Plant & Machinery	Investment in Equipment
Micro Enterprises	• Does not exceed 25 lakhs	• Does not exceed 10 lakhs
Small Enterprises	• More the 25 lakhs but not exceed 5 crore	• More than 10 lakhs but not exceed 2 crore
Medium Enterprises	• More than 5 crore but not exceed 10 crore	• More than 2 crore but not exceed 5 crore

### FEATURES OF MSMEs

The small enterprises usually have the following characteristics:

1. They are capital light and do not have huge investments.
2. These are labour intensive.
3. Local resources and skills are effectively exploited.
4. Generally, these units are established in a proprietary form and most of the funds are proprietor's savings.
5. The operations are usually localised.

### 1) The gestation periods is low and is quick yielding.

#### MSMEs IN KOTTAYAM DISTRICT

There are 18088<sup>1</sup> industrial units present at Kottayam. The main industries in city are ready-made garments & embroidery, repairing & servicing, agro based and engineering units.

TYPE OF INDUSTRY	NUMBER OF UNITS
Agro based	3017
Soda water	52
Ready-made garments & embroidery	3700
Wood/wooden based furniture	1026
Paper & Paper products	347
Leather based	369
Chemical/Chemical based	42
Rubber, Plastic & petro based	1395
Mineral based	1396
Metal based (Steel Fab.)	32
Engineering units	2496
Repairing & servicing	3372
Others	844
<b>Total</b>	<b>18088</b>

#### IMPORTANCE OF THE STUDY

A study on the “Marketing issues faced by MSMEs with special reference to Kottayam district will enable us to know the various marketing problems faced by MSMEs in Kottayam district. It is expected that present study, helps government as well as other agencies in locating various marketing issues faced by MSMEs and to take necessary measures to solve such problems. Though there are a number of studies related to MSMEs, marketing issues faced by MSMEs have not received due attention. So this study assumes great importance.

#### SCOPE OF THE STUDY

The scope of the study was confined to Marketing Issues Faced by MSMEs in Kottayam district. The study tries to identify major marketing issues faced by MSMEs of the Kottayam district.

#### RESEARCH GAP AND STATEMENT OF THE PROBLEM

Though there are a number of governmental agencies to over view the activities of MSMEs, marketing issues faced by MSMEs has not been properly identified and resolved. If the marketing issues faced by MSMEs are not resolved properly the very objective of setting up MSMEs turns meaningless. There is an urgent need to understand the major issues relating to marketing in MSMEs. Hence the problem is stated as “Marketing issues faced by MSMEs in Kottayam district”.

#### OBJECTIVES

1. To identify major marketing issues faced by MSMEs in Kottayam district.
2. To study the effectiveness of advertisements done by MSMEs.
3. To know the extent of competition faced by MSMEs.
4. To understand the extent to which MSMEs are able to create brand name for their products.
5. To make recommendations and suggestions based on the findings of the study.

#### HYPOTHESES

Ho: There is no significant difference between annual turnover of MSMEs with regard to effectiveness of advertisement done.

Ho: There is no significant difference between annual turnover of MSMEs with regard to competition from large scale units.

<sup>1</sup> Number of existing registered micro and small enterprises and artisan units in the district. “Brief Industrial Profile Kottayam District(2010-2011)”

## RESEARCH METHODOLOGY

The study is based on both primary and secondary data. For the purpose of the study, direct interview method was adopted using interview schedule. In order to select the sample, random sampling method was adopted. The secondary data were collected from books, articles, journals, and internet.

### Sample size

The population of the study consists of MSMEs working in Kottayam district. In Kottayam district there are 20108 MSMEs. Sample of 60 MSMEs are randomly selected from MSME units in Kottayam district.

### Tools of Analysis

The collected data were analysed using various statistical and mathematical tools like percentages, mean etc. For testing the hypotheses ANOVA is used.

## ANALYSIS OF DATA

**Table: 1, Profile of the sample**

	Frequency	Percentage
1. Industrial units		
• Registered	• 49	• 81.6
• Unregistered	• 11	• 18.4
2. Gender		
• Male	• 52	• 86
• Female	• 8	• 14
3. Educational Qualification		
• Elementary	• 6	• 10
• Secondary	• 1	• 1
• Graduate	• 12	• 20
• Post graduate	• 15	• 25
• Technical	• 26	• 44
4. Annual turnover of the firm		
• Less than 10 lakh	• 6	• 10
• Between 11-50 lakh	• 14	• 23.33
• Between 51lakh-1crore	• 27	• 45
• Above 1crore	• 13	• 21.67
5. Marketing of products		
• Within district	• 2	• 3.33
• Other district	• 4	• 6.67
• Other states	• 45	• 75
• Other country	• 9	• 15
6. Nature of Products		
• Agro based	• 24	• 40
• Industry based	• 25	• 41.7
• Service based	• 11	• 18.3
7. Source of Raw material		
• Local	• 3	• 5
• Other district	• 17	• 28.3
• Other states	• 19	• 31.7
• Other countries	• 21	• 35

Source: Primary data

**Table: 2, Marketing Issues**

	Mean
1. Demand of consumers	3.7
2. Appropriate infrastructure	3.3
3. Availability of resources	2.4

4. Quality of product	4.2
5. Cost of product	4.0
6. Adequate market analysis	3.8
7. Distribution channels	2.0
8. Image building	4.0

Source: Computed by the researcher

Among the 8 variables identified, quality of product (mean 4.2) is the most important marketing issue faced by MSMEs. Followed by image building(4.0), cost of products(4.0) adequate market analysis(3.8), demand of the product(3.7), appropriate infrastructure(3.3), availability of resources(2.4), distribution channel(2.0).

**Table: 3, Effectiveness of advertisement**

	Mean
1. Increase in sales	4.0
2. Demand of product	2.8
3. Securing new dealers	3.4
4. Market share of business	3.5

Source: Computed by the researcher

Majority of respondents consider that advertisement to be effective as it has resulted in increase in sales (mean 4) and in market share of business (mean 3.5). It has also helped in securing new dealers (mean 3.4) and in increasing demand of the product (mean 2.8).

**Table: 4, Competition**

	Mean
1. Use of high technology	3.5
2. Efficient workers	3.2
3. Distribution of similar product	3.3

Source: Computed by the researcher

Usage of high technology (mean 3.5) by the competitors is a serious threat to the MSMEs. Distribution of similar product (mean 3.3) and efficient workers (mean 3.2) also contribute to the competition.

**Table: 5, Creation of Brand Name**

	Mean
1. Differentiate of product	3.6
2. Effort level	3.8
3. Loyal and regular customers	4.7
4. Customers' complaints	1.7

Source: Computed by the researcher

The loyal and regular customers (mean 4.7) contribute more to the creation of brand name for the products. Followed by, effort level (mean 3.8) and product differentiation (mean 3.6). Mean for the customer complaints is lowest (1.7), lower the customer complaints more the MSMEs create its brand name.

### Testing of hypotheses

In order to test these hypotheses, one way analysis of variance (F-test) is used.

#### Hypothesis No: 1

**Ho:** There is no significant difference between annual turnovers of MSMEs with regard to effectiveness of advertisement done.

**Ha:** There is significant difference between annual turnovers of MSMEs with regard to effectiveness of advertisement done. The result is shown below:

**Table: 6, Test statistic**

	N	Mean
Less than 10 lakh	6	11.83333
Between 11- 50 lakh	14	13.00
Between 51 lakh- 1 crore	27	14.11111
Above 1 crore	13	15.15385
Total	60	13.85

Source: Computed by the researcher

	Sum of squares	df	Mean square	F	Sig.
Between groups	58.458	3	19.486	4.933	.004
Within groups	221.192	56	3.950		
Total	279.650	59			

Source: Computed by the researcher

Since P- value is less than 0.5 the null hypothesis (Ho) is rejected at 5% level of significance and alternative hypothesis is accepted. Hence it can be concluded that there is significant difference between annual turnover of MSMEs with regard to effectiveness of advertisement done. Among the different groups of MSMEs, the MSME with annual turnover 1crore and above has got the highest effectiveness of advertisement (mean 15.15385).

### Hypothesis No: 2

**Ho:** There is no significant difference between annual turnover of MSMEs with regard to competition from large scale units.

**Ha:** There is significant difference between annual turnover of MSMEs with regard to competition from large scale units.

**Table: 7, Test Statistic**

	N	Mean
Less than 10 lakh	6	11.5
Between 11- 50 lakh	14	10.642
Between 51 lakh- 1 crore	27	11.33333
Above 1 crore	13	6.230769
Total	60	10.08333

Source: Computed by the researcher

	Sum of squares	df	Mean square	f	Sig.
Between groups	251.561	3	83.854	47.422	.022
Within groups	99.022	56	1.768		
Total	350.583	59			

Source: Computed by the researcher

Since P-value is less than 0.5, the null hypothesis (Ho) is rejected at 5% level of significance and alternative hypothesis is accepted. Hence it can be concluded that there is significant difference between annual turnover of MSMEs with regard to competition from large scale units. Among the different groups MSMEs, the MSME with annual turnover less than 10 lakh faces toughest competition from large scale units (mean 11.5).

## FINDINGS, SUGGESTION AND CONCLUSION

### FINDINGS

It is proposed here to present a consolidated picture of the study through a connected review of all important findings.

#### Profile of the sample

1. Majority of the MSMEs are registered i.e. 81.6%, only 18.4% are non registered.
2. Most of the entrepreneurs are male. Out of the sample 86% are male and only 14% are female.
3. Majority of the entrepreneurs are educated.
4. Majority (45%) of entrepreneurs have annual turnover in between 51 lakh -1 crore.
5. Most of the MSMEs are marketing their products in other states i.e. 75%.
6. 40% MSMEs are agro based and 41.7% MSMEs are industry based.

7. 35% of the MSMEs have source of materials from other countries.

### Result of Test Hypotheses

#### Hypothesis -1

There is significant difference between annual turnover of MSMEs with regard to effectiveness of advertisement done.

#### Hypothesis-2

There is significant difference between annual turnover of MSMEs with regard to competition from large scale units.

### Other Findings

1. The major marketing issues faced by MSMEs are quality of product, cost of the product and image building.
2. Advertisements are effective as MSMEs are able to increase sales and market share through advertisement.
3. MSMEs face severe competition from large scale industries<sup>2</sup> with regard to use of new technologies.
4. Loyal and regular customers create brand name for the products which reduces the marketing issue to an extent.

### SUGGESTIONS

1. From the study, it is clear that majority of the respondent are male, which means that the female entrepreneurs are not coming into the field of MSMEs. Government should take necessary steps in the form of seminar and coaching classes for the purpose of encouraging women to start MSMEs.
2. The government should ensure regular supply of raw materials at an affordable price.
3. The MSMEs should adopt new marketing strategies like new pricing policies and direct marketing.
4. MSMEs should adopt service marketing which leads to increase service based MSMEs.
5. Protective measures should be designed so as to protect MSMEs from the competition caused by large firms.

### CONCLUSION

The study identified the major marketing issues faced by MSME sectors in Kottayam district such as quality of product, cost of product and image building. MSMEs are able to increase their sales through advertisements and also face severe competition from large scale industries. The analysis of the various marketing problems of the small business in Kottayam indicates that there is no single perfect plan for promotion. Since MSME plays vital role in the economic and social development of the country. The neglect of marketing will make the sector completely handicapped...

### SCOPE FOR FURTHER STUDY

The scope of the study was confined to MSMEs in Kottayam district due to time and resource constraints. This study tried to identify major marketing issues faced by MSMEs of the Kottayam district. Further study is possible on the basis of the issues on marketing activities, finance, and innovative marketing and export activities.

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<sup>2</sup> Travancore Cements, Nattakom, Kottayam, MRF Limited, Vadavathoor P.O, Kottayam, Canara Paper Mills, Vazhappally P.O, Changanacherry.