

A STUDY ON FACTORS AFFECTING SUSTAINABILITY OF SME's IN BANGALORE

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Abstract

The SME sector contributes significantly to the national GDP, industrial output, export revenues, regional development, and social stability. The business climate in Bengaluru city provides Small and Medium-sized Enterprises (SMEs) with a variety of opportunities across many industries. The purpose of the study was investigating the opportunities for SMEs in Bangalore, and to identify the challenges for SMEs in the study area. The study is focused on entrepreneurs. Cronbach's Alpha, KMO and Bartlett's Test, Principal Component Analysis, Promax with Kaiser Normalization were used to analyze the results. Entrepreneurs Training Institutes, Ministry of MSME, Political Stability, Climate, Infrastructure Facility, Policies And Initiatives Technology Adaptation etc are the opportunities SMEs in bengaluru city. Operational Cost, Market Intelligence, Lack of Information About SME Borrowers, Response to Customer, Competition from Foreign Competitors, Scarcity of Skilled Labour are the main challenges for SME. The extremely significant sector's challenges can sometimes be resolved with the aid of research and development.

Keyword: MSME, Sustainable Development, SSI.

1. INTRODUCTION

The core of India's economy, Small, medium enterprises (SMEs) make up a large portion of the country's GDP, industrial output, and employment. They make up a substantial section of India's service and manufacturing industries. SMEs play a key role in India's economic development through fostering innovation, economic growth, and job creation. They play a crucial role in the nation's aim of becoming a worldwide economic powerhouse, and as India adopts economic reforms and digital transformation, their position will only continue to grow. In Karnataka, a southern Indian state renowned for its diverse economic environment and industrial development, Small and Medium Enterprises (SMEs) play a critical role. The core of Karnataka's economy, SMEs play a key role in innovation, economic growth, and the creation of new jobs. They work in a number of industries, including as manufacturing, services, technology, agriculture, and more. A significant section of the state's workforce, including skilled and semi-skilled labourers, receives employment possibilities from them. Many entrepreneurs in the state start off as SMEs before expanding into larger businesses. Government programmes, incubators, and assistance networks boost SMEs' efforts to innovate and expand. The government has established a number of policies and programmes to support SMEs, including financial incentives, talent development initiatives, technology adoption

programmes, and business reforms that make it easier to conduct business Kiran Kumar TN (2023). Micro, Small, and Medium-Sized Enterprises (MSMEs) are a major factor in the expansion and development of the Indian economy. Micro, Small, and Medium-Sized Enterprises (MSMEs) are the driving force behind economic expansion in both India and the rest of the globe in the twenty-first century. MSMEs (Micro, Small, and Medium-Sized Enterprises) are crucial to a nation's economic growth. (Neha Dang & Ritika 2014).

Based on their investment in plant and equipment, the following principal groups can be drawn:

- Micro Businesses: Corporations having up to Rs. 1 crore in investment.
- Small Businesses: Organisations with capital commitments of between 1 and 10 crores.
- Firms between 10 and 50 crores in investment are considered medium enterprises.

The term "opportunities for Small and Medium-sized Enterprises (SMEs)" refers to favourable conditions or circumstances that can be advantageous for these types of businesses. Compared to larger organisations, SMEs often operate on a smaller scale Ajith S et al., (2023) The difficulties, impediments, and hurdles that Small and Medium-sized Enterprises (SMEs) frequently experience are a result of their size, resource limitations, and unique qualities. These difficulties can differ depending on the sector, region, and economic climate.

2. REVIEW OF LITERATURE

Suratha Kumar Das (2014) the main goals of the study are to analyse growth-related issues, government initiatives, the involvement of NGOs, and microfinance and credit flows for small businesses at the grassroots level. These industries' success stories have increased state and national production, employment, and exports. MSMEs' growth rate is an excellent and positive indicator of progress and prosperity. Ignatius Ahmed Atsu and Cornelius M. Ojong (2014) proved shown that there is a substantial connection between the government's provision of financial support and the growth of MSMEs, as well as between the provision of infrastructure support schemes and government capacity building activities. Ezekiel Oseni, Elizabeth Funmi Osen (2015) people need quick and drastic action due to the prevalence of poverty and unemployment. It will be necessary to create an enabling atmosphere, provide the necessary infrastructure, and offer accessible funding schemes in order to implement effective initiatives. Lack of essential facilities (such as roads and power) and unnecessary financing have been the MSMEs' biggest problems. Subina Syal (2015) The competitive and high-quality product range that the MSME sector in India has developed puts it at the forefront of global growth today. To reduce the transaction costs of technology advancement, market penetration, infrastructure modernisation, etc., government facilitation is necessary. There were many prospects for expansion and improved performance of SMEs due to variables like export encouragement, reservation policy, tooling and technology, people training, technology,

and managerial skills. Jeff Shields and Joyce M. Shelleman (2015) concluded that, Small-to-Medium Sized Businesses (SMEs) are being put under more and more pressure to create plans that will allow them to meet the expanding worldwide reporting requirements for sustainability and do it in a proactive manner. In order to analyse the capabilities of the organisation and the external business environment, current sustainability challenges are noted and debated. Maumita Choudhury & Chandana Goswami (2016) stated that, the government is reportedly taking a number of steps to make it simpler to secure financing, but access to capital remains a significant issue. Additionally, there are rumors that banks are reluctant to make loans to this industry because they don't think it will be profitable. The unregistered and informal sector, which is relatively considerably larger in prevalence but also unaccounted for, was the research gap that was found. These sectors are mostly understudied. Waseem Hamid (2017) if properly developed, the state's small-scale manufacturing sector has the great potential to support thousands of educated youth who are unemployed in the state. To design such policies and initiatives by which the Micro, Small, and Medium Enterprises in the State can grow by leaps and bounds, assistance from the centre and the state is required. Sumanjeet Singh and Minakshi Paliwal (2017) noted MSME sector has the potential to make a significant contribution to India's eventual growth to a 20 trillion dollar economy. However, there are several pressing problems and difficulties that must be handled before this sector's growth potential can be fully realized. Vinay Kumar (2017), The primary difficulties MSMEs face have Lack of financial support, insufficient entrepreneurship training programmes, and a lack of technical support, Lack of product marketing knowledge, insufficient infrastructure support, Advanced technology is absent & unaffordable, Strong competition from domestic and foreign competitors, a lack of target markets for the items produced, insufficient assistance from the banking system for credit facilities, lack of competent workers, inadequate information, etc. J. Venkatesh & R. Lavanya Kumari (2018) The Micro, Small & Medium Businesses (MSME) industry contributes about 8% of the GDP. By employing around 80 million people, or 45% of the nation's total manufacturing output and 40% of exports, it also plays a crucial role in the improvement of the financial system. Mayank Dev Singh & G. D. Thakar (2018) argued that, Industry has been compelled to innovate and lessen its environmental impact by growing environmental awareness. The most recent sustainable manufacturing method, known as "green manufacturing" (GM), has the potential to address the majority of the problems now plaguing the Indian manufacturing sector. Surendar Gade (2018) stated that, MSMEs create more jobs per unit than other industries. Their individuality needs to be fostered openly and explicitly if this contribution is to be sustained. If MSMEs are established in impoverished areas, they are particularly beneficial in eliminating regional disparities. MSMEs create more jobs per unit than other industries. Irwan Sugiarto (2018) concluded that, the development of MSMEs is hampered by issues with quality, people resources, capital, infrastructure, and technology. Due to this issue, counselling services and financial services are becoming less expensive. Thus, it is a component of a number of groups that are highly beneficial for the growth of MSMEs, particularly those in rural areas. RPIR Prasanna et al., (2019) the purpose of the paper was to review the recent literatures. Six factors—social capital,

connections to multinational corporations (MNCs) and transnational corporations (TNCs), innovation, sharing and networking, information technology, and adoption of productivity-enhancing technology—influence technological advancement in SMEs for long-term growth. Toran Lal Verma and D.K. Nema (2019) If MSMEs succeed in the future years, it will undoubtedly contribute significantly to attaining the SDGs by increasing employment, decreasing poverty, resolving regional imbalance, promoting equality, etc. In this highly competitive environment, it is essential that MSME challenges are properly addressed through appropriate government initiatives and those entrepreneurial abilities are well-nourished. Adriana Burlea-Schiopoiu & Laurentiu Stelian Mihai (2019) A focus on favorable financial indicators can help SMEs increase the impact of CSR on their sustainability through training and innovation. Habiburrahman (2019) The development of MSMEs and the empowerment plan are largely influenced by internal elements, such as management, finance, and marketing, as well as external factors, such as the participation of the regional government. Kwadwo Boateng et al., (2019) in this era of the globalised economy, MSMEs are playing a very important role. Without mentioning the MSMEs' contribution, it is impossible to discuss India's constant economic growth. Between 40 and 50 percent of India's overall exports are contributed by the MSMEs sector. MSMEs typically contribute 30% of the GDP and 32% of the Gross Value Added (GVA) to the nation's economy. Suhail Ahmad Bhat & Shambhavi Singh (2020) believes that, the MSMEs sector serves as a breeding ground for business ventures and offers a wealth of employment prospects. It also decentralises industrial activity and aids in the utilisation of locally accessible resources at extremely cheap capital costs. This industry contributes significantly to the creation of jobs, the growth of entrepreneurship, the reduction of poverty, and the socio-economic advancement of India. Pooja Khatri (2021) SMEs supports industrial development, GDP expansion, export revenue generation, job creation, regional development, economic diversity, and social stability. Practises that promote employee participation and a culture of research and development can assist in resolving some issues in this crucial industry. Streamline tax laws and labour regulations, encourage electronic procurement, sign trade favourable agreements with possible export destinations, etc. Dipak Kumar Das (2021) concluded that, The importance of SME production, employment creation, export contribution, and facilitation of income distribution equity cannot be overstated. Currently, MSMEs make up around 30% of India's GDP. But this sector needs to be properly nurtured and supported. The Government needs to work together.

3. RESEARCH METHODOLOGY

The study is focused on 85 business owners that operate SMEs in Bengaluru; a convenient sample technique was used to get responses from the SMEs owners. Through the use of questionnaires, the primary data was gathered from the target population. Internet, journals, and books, among other sources, are used to obtain secondary data. Tables used with SPSS and MS Excel for the analysis of primary data. The information gathered during August and September 2023.

4. OBJECTIVES OF THE STUDY

1. To investigate the opportunities for SMEs in Bangalore
2. To identify the challenges for SMEs in the study area.

5. RESULTS AND DISCUSSION

Table 1: Reliability Statistics

Cronbach's Alpha	No of Items
.715	25

Source; Field Survey

Table 01; To check consistency and stability between the chosen items, the present study has used Cronbach's Alpha (α). 25 variables were selected and they got value of .715. Higher values suggest greater internal consistency and reliability.

5.1 Opportunities for SMEs in Bengaluru City.

Table 2: KMO and Bartlett's Test on opportunities for SMEs in Bangalore

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.706
Bartlett's Test of Sphericity	Approx. Chi-Square	255.959
	df	91
	Sig.	.000

Source; Field Survey

Table 02; The Kaiser-Mayer-Olkin and Bartlett's test was conducted to identify the adequacy of samples for factor analysis on opportunities for SMEs in Bengaluru city. It has been found that the KMO value is .706 and it is greater than 0.5. Hence, the samples used for factor analysis are adequate. The chi-square value is 255.959 and it is also significant at one percent level. Therefore, there are strong relations among the factors used for analysis.

Small and medium-sized businesses (SMEs) have a lot of options in Bengaluru because of the city's vibrant business environment and varied market. The following opportunities for SMEs in Bengaluru have been identified by this study:

1. Entrepreneurs Training Institutes
2. Ministry of MSME
3. Political Stability
4. Climate
5. Infrastructure Facility
6. Easy Availability of Raw Material
7. Supporting Institutions
8. Policies and Initiatives

9. Unemployment
10. Research & Development
11. Social Media
12. Assisting from Local Government
13. Tooling & Testing Support
14. Entrepreneurship Development Programme.

Table 3: Total Variance Explained for opportunities for SMEs in Bangalore

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.810	27.215	27.215	3.810	27.215	27.215	2.832
2	1.629	11.634	38.849	1.629	11.634	38.849	2.481
3	1.231	8.796	47.646	1.231	8.796	47.646	1.891
4	1.188	8.487	56.133	1.188	8.487	56.133	2.357
5	1.134	8.101	64.234	1.134	8.101	64.234	1.912
6	.998	7.127	71.361				
7	.892	6.372	77.733				
8	.655	4.677	82.410				
9	.565	4.036	86.446				
10	.491	3.506	89.952				
11	.439	3.137	93.089				
12	.372	2.660	95.749				
13	.329	2.353	98.102				
14	.266	1.898	100.000				

Extraction Method: Principal Component Analysis.

Source; Field Survey

Table; 03 From the PCA on opportunities for SMEs has been conducted, it has been found that out of 14 chosen factors 05 components were identified, which significantly (eignvalue above 01) the main favorable situations for SMEs in Bengaluru. The first component (Entrepreneurs Training Institutes) explains 27.215 Percent of variation in total variation explained by all the variables. The second component (Ministry of MSME) explains 11.634 percent of variation, third component (Political Stability) explains 8.796 percent of variation, the fourth component (climate) 8.487 percent of variation, the fifth component (Infrastructure Facility) percent of variation Together and five components have explained 64.234 percent of variation.

Promax rotation an oblique rotation that enables correlation between variables. For large datasets, this rotation is advantageous since it can be computed more quickly than a direct oblimin rotation.

Table 4: Pattern Matrix for opportunities for SMEs in Bangalore city

Opportunities	Components				
	1	2	3	4	5
Entrepreneurs Training Institutes					
Ministry of MSME			.767		
Political Stability					
Climate					
Infrastructure Facility		.924			
Easy Availability of Raw Material					
Supporting Institutions	.814				
Policies and Initiatives					
Unemployment					
Research & Development					
Social Media					
Assisting from Local Government					
Tooling & Testing Support					.838
Entrepreneurship Development Programme				.877	
Rotation Method: Promax with Kaiser Normalization.					
Source; Field Survey					

The table no.04 summarizes the factor analysis results with the five dimensions such as entrepreneurs training institutes (factor 01), ministry of MSME (factor 02), political stability (factor 03), climate (factor 04), and infrastructure facility (factor 05). According to Promax Rotation Method which the value is greater than 0.7 (A factor loading approximately 0.7 is considered to be sufficient) is correlated with extracted components. According to the result the SMEs can take advantage of Supporting Institutions under component 01. Infrastructure Facility under component 02. Ministry of MSME support under component 03. Tooling & Testing Support under component 04 and Entrepreneurship Development Programme support under component 05. Therefore it is cleared from the analysis that five factors are not considered as opportunities for SMEs in Bengaluru city such as assisting from local government, social media, local bodies, policies and initiatives, R&D, and unemployment.

5.2 Challenges for SMEs in Bengaluru City

Table 5: KMO and Bartlett's Test on Challenges for MSMEs

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.854	
Bartlett's Test of Sphericity	Approx. Chi-Square	354.664
	df	55
	Sig.	.000

Source; Field Survey

Table 05; The Kaiser-Mayer-Olkin and Bartlett's test was conducted to identify the adequacy of samples for factor analysis Challenges SMEs in Bengaluru city. It has been found that the KMO value is .854 and it is greater than 0.5. Hence, the samples used for factor analysis are adequate. The chi-square value 354.664 is and it is also significant at one percent level. Therefore, there are strong relations among the factors used for analysis.

Small and Medium Enterprises (SMEs) in Bengaluru, like elsewhere in India, confront a number of difficulties when conducting business. Bengaluru, frequently referred to as the "Silicon Valley of India," is well-known for its thriving startup scene and IT sector. The present study has identified the following challenges:

1. Technology Adaptation
2. Operational Cost
3. Market Intelligence
4. Response to Customer
5. Lack of Information About SME Borrowers
6. Over-Enthusiasm
7. Marketing of products
8. Scarcity of Skilled Labour
9. Competition from Foreign Competitors
10. Taxation Policies
11. High Importation Tariffs on Raw Materials

Table 6: Total Variance Explained for Challenges for SMEs

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	4.812	43.742	43.742	4.812	43.742	43.742	4.624
2	1.599	14.539	58.281	1.599	14.539	58.281	2.833
3	.884	8.040	66.321				
4	.761	6.918	73.238				
5	.611	5.556	78.794				
6	.551	5.010	83.804				
7	.515	4.683	88.487				
8	.477	4.340	92.828				
9	.409	3.722	96.550				
10	.227	2.066	98.615				
11	.152	1.385	100.000				
Extraction Method: Principal Component Analysis.							
Source; Field Survey							

From the PCA for Challenges on SMEs has been conducted, it has been found that out of 11 chosen factors 02 components were identified, which significantly (eigenvalue above 01) the prime challenges for SMEs in Bengaluru. The first component (Technology Adaptation) explains 43.742 Percent of variation in total variation explained by all the variables. The second component (Operational Cost) explains 14.539 percent of variation. Together, the two components have explained 58.281 percent of variation.

Table 7: Promax Rotation Matrix

	Component	
	Factor 01	Factor 02
Technology Adaptation		
Operational Cost	.765	
Market Intelligence		.843
Response to Customer		.787
Lack of Information About SME Borrowers	.831	
Over-Enthusiasm		
Marketing of products		.720
Scarcity of Skilled Labour	.724	
Competition from Foreign Competitors	.904	
Taxation Policies		
High Importation Tariffs on Raw Materials	.755	
Rotation Method: Promax Rotation Method.		
Source; Field Survey		

The table no.07; summarizes the factor analysis results with the two dimensions such as Technology Adaptation (factor 01) and Operational Cost (factor 02). According to Promax Rotation Method which the value is greater than 0.7 (A factor loading approximately 0.7 is considered to be sufficient) is correlated with extracted components. According to the result the SMEs are not technology adaptations the technology for increase in the operational cost, lack of information, scarcity of skilled labor, competition from foreign competitors and high importation tariffs on raw materials. The main reasons for increase in the operational cost are lack of market intelligence, week response to customer, marketing of products. Therefore it is cleared from the analysis that except two considered factors (Taxation policies and over-enthusiasm) all are the main challenges for SMEs in Bengaluru city.

6. CONCLUSION

The SME sector contributes significantly to the national GDP, industrial output, export revenues, regional development, and social stability, all of which have a significant impact on the economy. The business climate in Bengaluru city provides Small and Medium-sized Enterprises (SMEs) with a variety of opportunities across many industries. Remember that the environment of business is constantly changing; therefore it's crucial to explore the most recent trends and opportunities. Despite several steps done by the relevant ministries, SME units nevertheless confront a lot of difficulties like technology adaptation, increase of operational cost, lack of market intelligence, scarcity of skilled labor, competition from foreign competitors, lack of information about SME borrowers. The extremely significant sector's challenges can sometimes be resolved with the aid of research and development. The government should put an end to current corrupt practises, devise need-based supportive interventions, simple labour laws and taxation policies to boost SMEs in Benagaluru.

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