



MONETARY ATTRACTIVENESS: A ROLE OF SMALL SCALE INDUSTRIES IN THE INDIAN ECONOMY

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ABSTRACT

The present study examines the role of financial competitiveness among small-scale industries in the Indian Economy. Finance is the important key resource to start and survive in that field successfully. The considered factors in financial competitiveness such as financial flexibility, financial capability, financial strategy, financial knowledge, and financial innovations. In this research, 432 samples were drawn by using stratified random sampling technique and analyzed. The result was financial flexibility and financial capability have a positive effect and financial strategy, financial knowledge and financial innovation have a negative effect on financial competitiveness among small-scale industries. The suggestion was the future researcher may focus on some other factors on financial competitiveness.

Key words: Small-Scale Industries, Financial Competitiveness, Indian Economy.

1. INTRODUCTION

1.1 Small Scale Industries

Small scale industries play an important role in the sustainable growth and economy of the nations. It is the platform to eradicate the unemployment of the society and also influence the development of geographic areas (Sipa et al., 2015). The government paying attention to the development of small scale industries. It encompasses the activities such as manufacturing, construction, servicing, financing, and infrastructure. For these activities, cash is treated as the oxygen to a business. Finance is the important key resource to start and survive in that field successfully (Kadam & Laturkar, 2011). According to (Sanjuna, 2019), finance is a method of preserve the defects in various zones and it is an essential part of managerial responsibility and functionalities that impacted the performance of an organization.

Many studies that regulate the nature of competitiveness in an enterprise (effectiveness and efficiency), also include the level of performance display not compelling into account its difficult characteristics and restricting competitiveness to attain high return assets. In small scale industries usually, the units have less capital with more labour which is less than the large scale industries (Nambirajan & Prabhu, 2010). Especially in India, labor is available tremendously but there is a lack of capital to start and run the enterprises. In this situation, the banking sector plays as a bridge between small industries and the capital formation of the enterprises. The Reserve Bank of India made different policies and regulations for the smooth flow of credit to small scale industries (Alhassan & Sakara, 2014).

Small Scale units are supportive of balancing the regional development. Scattering of small enterprises in the country for eliminating the regional imbalance through encouraging decentralized improvement of industries (Mounika, 2017).

1.2 Financial Competitiveness in Small Scale Industries

According to Shastri et al (2011), effects of liberalization and globalization of small scale industries and their performance in employment, exports, units, and outputs. Small scale units may be aided by the financial organizations with proper support of infrastructures. The emerging to upgrade financial measures, market frictions change the incentive as well as the constraint of economic agents (Asongu, 2014). Also, must be focused on the cost of finance and non-availability of framework and policies legally regarding investments (Kayanula & Quartey, 2000; World Bank Report, 2014).

Major competitive issues faced by small-scale industries were lack of short-term and long-term finance, inadequate access to finance, limited connectivity with markets, absence of credits, inadequate infrastructure, etc. (Asian Development Bank, 2009).

1.3 Influencing factors in Small Scale Industries

Small scale units were affected by internal and external environment factors (Beck & Demirgüç-Kunt, 2006). Small and Medium enterprises' growth is positively or negatively correlated with fluctuations in the business environment (Zhang, S. S et al., 2014).

The internal factors in the enterprises were limited financial knowledge, management competencies, skills, technologies, and capabilities to handle technology. In another hand, there are external factors that influence the business units namely, crime and corruption, markets and economic variables, infrastructure, labor, regulations, etc (Fatoki & Garwe, 2010).

Small scale industries facing these kinds of hurdles during their survival. Here there are some factors like capital formation, marketing strategies, communication, promotion activities, government support, associations for development, micro-economics and macro-economics, politics, competitors in the market, etc. The researcher found these kinds of factors affecting the small scale industries in this competitive era.

R Gopinath, (2011) Small scale industries also facing the employee emotions in the workplace. Gopinath, R. (2019) described the impact of organisational commitments on knowledge management practices in the small-scale industries. Gopinath, R. (2016) also explained the a study on the performance management in BSNL with special reference to job satisfaction in three different SAAS using modelling for small scale industries financial management. Gopinath, R. (2019b) also described the relationship between knowledge management and human resource development in the small scale industries.

Objective of the Study

The following is the objective of this research:

- To investigate the role of small scale industries in the economy of society.
- To examine the financial competitiveness of the small scale industries.
- To explore the affecting factors in small scale industries.

2. LITERATURE REVIEW

Cong & Thu, (2020) discovered the small and medium enterprises' competitiveness. The manager wants sufficient knowledge, leadership competencies, attitude, skills, etc. The result showed systematize theoretical issues, recognize the competencies, examine the situations that establish the leadership of enterprises. Finally, the performance and competitiveness are affected by built competency relationships, hands-on experiences, strategic vision, and competencies in operational management.

Owen & Pereira, (2018) explores the expansion of financial services accessibility to reduce poverty and improves economic development. This study attempt to discover that the role of banking sectors, financial inclusions, and its various indicators. As a result, the banking sectors are negatively associated in terms of deposits and loans, market powers, etc. The suggestion was the people must engage themselves with banks for a wider scope of activities by better financial inclusion.

Balogun et al., (2018) discussed credit accessibility of small and medium construction industries in South Africa. There are no significant conjecturers of obtaining credits. The study indicates small and medium enterprises agree that inadequate security, owner's equities, lack of cash flows inhibit them from accessing credits.

Chauvet and Jacolin (2017) discovered the effect of financial inclusion and the structure of financial markets on firm performance in emerging countries. The banking sector favor firm's growth at better levels of financial inclusion. The result suggests that the framework of the banking system in the point of the overall functioning of the financial system that analyzing accessibility of household to financial services.

Statement of the Problem

Small Scale Industries have several problems. According to these problems, the destination of the industries may not be reached. To escape from these hurdles, the industries need government support through various schemes, and awareness from several agencies is also required. This study mainly focuses on determining the path for the development of small-scale industries.

Scope of the Study

This research focuses on measure financial competitiveness and factors that affect the competitiveness in the market. The study area is small-scale industries in Tamil Nadu. The outcome of this study will help the small scale industries to improve their practices on financial management in the market effectively and efficiently in the Tamil Nadu.

3. METHODOLOGY

3.1 Sample

The study was conducted with small scale industries' managers as a sample using a stratified random sampling technique. The sample size was obtained from the scientific decision developed by Krejcie & Morgan (1970). By implementing this model, the sample size of this research was 132.

3.2 Measures

To collect the data, the questionnaire was framed to answer the questions. The instrument had three parts, namely demographic factors, financial Competitiveness (Financial flexibility, capability, knowledge, strategy, and innovation), and affecting factors (Internal and external factors).

To measure the financial competitiveness, the researcher used the specific instrument for financial flexibility was adapted from Robert S. Kaplan (1999), the financial capability from Michael E. Porter et al., (2009), financial knowledge from Barney (1991), financial strategy from Michael E. Porter (1990), and financial innovation from Momaya. K (1998).

3.3 Analysis

To analyze the collected data, the researcher used some statistical tools namely, descriptive statistics, correlation, t-test (Two paired). In the collected data, there are no outliers (missing values). So that, the N = 132 of this research.

3.4 Reliability and Validity

The Cronbach's Alpha value of the study is 0.969 at a 5% significant level. It represents there is positive significance is identified. The SPSS software marked at .05 percent significant level.

Table 1 Descriptive Statistics for Control Variables

Variables		Frequency	Percentage
Sex	Male	68	51.52
	Female	64	48.48
Age	Less than 35	30	22.73
	36 – 45	53	40.15
	46 – 55	35	26.52
	More than 56	14	10.61
Monthly Income	Less than 30000	53	40.15
	30001 – 50000	21	15.91
	50001 – 80000	35	26.52
	More than 800001	22	16.67
Experience	Less than 5 yrs	49	37.12
	6 – 10 yrs	24	18.18
	11 – 15 yrs	21	15.91
	16 – 20 yrs	23	17.42
	More than 21 yrs	16	12.12
Industries	Manufacturing	43	32.57
	Services	40	30.30
	Others	49	37.12

Source: Field Data

From the above table, the majority of the respondents were male (51.52 percent), lies between the age of 36 – 45 years old (40.15 percent), having monthly income of less than 30000 (40.15 percent), with the experience of fewer than 5 years (37.12 percent) and doing business under other categories of the industries (37.12 percent).

Table 2 Descriptive of variables on Financial Competitiveness

	SEX	AGE	MONTHLY INCOME	EXPERIENCE	INDUSTRIES
Mean	1.485	2.273	1.886	2.917	2.045
Standard Deviation	0.502	0.892	1.157	1.217	0.837
Kurtosis	-2.027	-0.890	-0.804	-0.764	-1.570
Skewness	0.061	0.023	0.886	0.033	-0.086
Confident Level (95%)	0.086	0.154	0.199	0.210	0.144

Source: Field Data

It can be inferred that the range of kurtosis between -1.570 and -2.027, and the range of skewness between -

0.086 and 0.886, which means all are within the inceptions. Hence, there is a no problem wants attention is directed.

Table 3 Financial Competitiveness of Small Scale Industries

Variables	Items	Factor Loadings
Financial Flexibility	Easy availability of external financing	0.960
	Difficulty in getting external financing funds	0.823
	Higher competition in getting easy finance	0.932
	Lack of proper bookkeeping and accounting	0.904
	Ability to gain access to financial products and services	0.923
	Financial awareness	0.795
	Easy access to short term financial needs	0.881
	Financial institutions as a major element for financial needs	0.943
	Long term financial forecasting	0.868
	Lack of technological innovation to manage finances	0.941
Financial Capability	Easy access to finance	0.939
	Flexibility in financial transactions	0.758
	Financial capability in buying assets	0.858
	Coping up in a credit crisis	0.921
	Firm's finance generated from internal funds	0.930
	Firm's finance generated from external funding	0.867
	Difficulty in getting finance from a bank	0.739
	Short term financial planning	0.949
	Managing large borrowing costs	0.786
	Strong financial structure	0.897
Financial Knowledge	Knowledge of Company's turnover	0.842
	Knowledge of Company's overall cost	0.857
	Profit of the company	0.937
	Sufficient financial knowledge (financial products and services, access to finance) to run a firm	0.921
	Financial Outsourcing	0.989
	Financial decision making and leadership	0.876
	Employees engagement in financial processes	0.881
	Financial decisions to enhance firms' capability	0.879
	Financial knowledge compares to your competitors.	0.943
	Financial literacy related to financing instruments	0.906
Financial Strategy	Long term financial goals	0.860
	Proper financial capital structure for easy access to finance	0.901
	Using financial tools and models to make investment decisions	0.863
	Strategic working capital management	0.802
	Strategic financial reporting and control	0.846
	An efficient Inventory management	0.905
	Inventory management as a priority	0.924
	Investing in fixed assets to increase the efficiency and profitability	0.810
	Financial forecasting to achieve company goals	0.099
	Financial strategies and goals run from top to bottom levels	0.810
	Analyzing the threats and opportunities that influence the decisions about financial strategy	0.957
Financial	P2P (Peer to Peer) lending	0.949
	Innovative methods of accounting for financial transactions	0.926
	Financial research and development activities	0.895
	Specialized SME financing innovative techniques	0.668
	Innovation in SME finance for more creditworthiness	0.618

Innovation	Innovation in SME finance for easy access to finance	0.676
	Innovative payment techniques to enhance competitiveness	0.867
	Use of financial innovation to enable to become eligible for finance	0.809
	Information technology to enhances the firm's productivity and lower the operating costs	0.776

Source: Field Data

According to Table-03, the above items are related to one variable (financial competitiveness in small scale industries). The total 51 items are classified into five components like 10 items for financial flexibility, 10 items for financial capability, 10 items for financial knowledge, 11 items for financial strategy, 10 items for financial innovation.

Table 4 Correlation Matrix

Correlation	FF	FC	FK	FS	FI
FF	1.000	0.628	0.366	0.426	0.420
FC	0.628	1.000	0.387	0.552	0.520
FK	0.366	0.387	1.000	0.460	0.437
FS	0.426	0.552	0.460	1.000	0.693
FI	0.420	0.520	0.437	0.693	1.000
N = 132					

Source: Field Data

From the above table, there is a significant correlation is exists between financial flexibility and financial capability. But there is a low significant relationship between financial knowledge, financial strategy, and financial innovations in small-scale industries in the Tamil Nadu. So that, there is a need to focus on gathering financial knowledge, framing proper strategy, and incorporate financial innovations in their units.

Table 5 Results of Hypotheses Testing

Hypotheses	Output	Remarks
Financial Flexibility has a positive relationship with financial competitiveness	<i>Accepted</i>	Financial Flexibility has a positive relationship with financial competitiveness
Financial Capability has a negative relationship with financial competitiveness	<i>Rejected</i>	Financial Capability has a positive relationship with financial competitiveness
Financial Knowledge has a positive relationship with financial competitiveness	<i>Rejected</i>	Financial Knowledge has a negative relationship with financial competitiveness
Financial Strategy has a positive relationship with financial competitiveness	<i>Rejected</i>	Financial Strategy has a negative relationship with financial competitiveness
Financial Innovation has a positive relationship with financial competitiveness	<i>Rejected</i>	Financial Innovation has a negative relationship with financial competitiveness

4. FINDINGS

The main factors were derived namely, financial flexibility, capability, knowledge, strategy, and innovation that influenced the financial competitiveness of small-scale industries. In this research, financial flexibility and capability have highly significant towards financial competitiveness rather than the financial strategy, knowledge, and innovations ie., having less effectiveness of financial competitiveness.

5. INFERENCE

Small-scale industry is a platform to build the nation's welfare and economy. In this sector, there is some competition in the market. Especially, the financial competitiveness was discussed in this study. Financial flexibility and capability are the factors that impact the competitiveness among small-scale units. Of course, they come over some challenges in their field and markets. The challenging factors exist internally and externally in the business units. These factors help to grow up in a competitive environment.

6. LIMITATION AND RECOMMENDATION

This research only focused on small-scale industries in the Tamil Nadu. The study cannot investigate other districts and also incorporate the medium and large-scale industries. Future research may focus on this category. And, may find some other competitive factors in financial competitiveness.

7. CONCLUSION

This study investigated the impact of financial competitiveness in small-scale industries in the Tamil Nadu. The small-scale industries recognize major factors that impact high competitiveness in that district. Only the way to eradicate the financial distress is possible with financially flexible and ready to investment on their business for rising the profit. The industries must integrate innovative strategy and techniques into a financial transaction, advanced system for accounting, using digital in the financial transaction, etc. it leads to the industries survive and competes the competitors in the market effectively.

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