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## **Potential Factors Responsible for Export Potential of MSMEs: A Study of Indore Region**

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**Abstract:**

*The study undertaken is descriptive in nature which includes surveys & facts finding enquiries to measure the export potential of MSMEs situated in Indore region. The study is an attempt to analyze firm's core competencies with respect to production, quality standards, technology and financial performance (financial health) so that these can be promote as export oriented units in the near future. The research revealed various potential factors that have considerable contribution in making a firm eventually competent for exports. The study is primarily based on primary data collected from 192 Micro, Small and Medium Enterprises in Indore.*

**Keywords:** Export Potential, Indore region, MSMEs (Micro Small and Medium scale Enterprises), Potential factors

### **1. Introduction**

Small and medium enterprises today constitute a very important segment of the Indian economy. The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale enterprises. SMEs sector has emerged as a dynamic and vibrant sector of the economy. Today, it accounts for nearly 35% of the gross value of output in the manufacturing sector and over 40% of the total exports from the country. In terms of value added this sector accounts for about 40% of the value added in the manufacturing sector. The sector's contribution to employment is second highest next to agriculture (Shaili Vadera and Nimisha Kulshreshtha Dec 2010)

The major advantage of the sector is its employment generation at low capital cost. Its total employment in the MSME sector is 805.24 lakh in 2012-2013(PIB July 2014). The labor potential of the MSME sector is much higher than that of large enterprises. The sector provides employment to about 69 million persons through 26 million enterprises throughout the country. In recent years, the MSME sector has consistently registered higher growth rate compared with the overall industrial sector. With its agility and dynamism, the MSME sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession.

The development of the micro, small and medium enterprises (MSME) sector is on the priority of Government Agenda. As per the Results-Framework Document (RFD) for Ministry of Micro, Small and Medium Enterprises (2012-2013), the Mission of the government is to – “Promote growth and development of globally competitive Micro, small and Medium Enterprises, including Khadi, Village and Coir industries, in cooperation with concerned Ministries / Departments, State Governments and other stakeholders by providing support to existing enterprises and encouraging creation of new enterprises. To endeavor and to achieve a cumulative growth of 40%-50% in the number of registered enterprises by the end of 12th Plan and enhance this sector's contribution to GDP from the present 8% to 10% by the end of 12th Plan.”

#### *1.1. Definitions of Micro, Small & Medium Enterprises*

According to the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

(a) Manufacturing Enterprises- The enterprises 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) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The manufacturing enterprises are defined in terms of investment in plant and machinery.

(b) Service Enterprises: The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, are as under:

<b>Manufacturing Enterprises – Investment in Plant &amp; Machinery</b>		
<b>Description</b>	<b>INR</b>	<b>USD(\$)</b>
Micro Enterprises	up to Rs. 25Lakhs	up to \$ 62,500
Small Enterprises	above Rs. 25 Lakh & up to Rs. 5 Crores	above \$ 62,500 & up to \$ 1.25 million
Medium Enterprises	above Rs. 5 Crores & up to Rs. 10 Crores	above \$ 1.25 million & up to \$ 2.5 million

Table 1

<b>Service Enterprises – Investment in Equipments</b>		
<b>Description</b>	<b>INR</b>	<b>USD(\$)</b>
Micro Enterprises	up to Rs. 10Lakhs	up to \$ 25,000
Small Enterprises	above Rs. 10 Lakh & up to Rs. 2 Crores	above \$ 25,000 & up to \$ 0.5 million
Medium Enterprises	above Rs. 2 Crores & up to Rs. 5 Crores	above \$ 0.5 million & up to \$ 1.5 million

Table 2

Source: www.dcsmse.gov.in

### 1.2. Role of MSME-DI Indore

MSME-Development Institute (MSME-DI), Indore is a field level agency of Ministry of Micro, Small & Medium Enterprises (MSME) to take care of the needs of the MSME Sector in the state of M.P. in the area of Techno-economic and managerial consultancy service.

MSME headed by the Development Commissioner, under the ministry of Micro, Small & Medium Enterprises (MSME). Government of India is an apex body as well as the nodal agency for formulating, co-coordinating and monitoring the policies and programmes meant for promoting and development of Micro, Small & Medium Enterprises (MSME) throughout the country.

MSME DI, started in 1958 (Formerly known as SIS), is one of the field level agencies of MSME and is the only one of its kind in M.P. The MSME-DI Indore offers various services like training programmes and workshops for enhancing the knowledge of entrepreneurs related to the various skills required in exporting.

The major services in brief are listed below

#### 1.2.1 Project Assistance

Identification of product Preparation of project Report and prefeasibility report Appraisal and evaluation of projects for banks and other agencies. Selection of plant and machinery and raw materials Technology and process Know-how Quality improvement and standards Drawings and plant lay-out Common facility, workshop facility-job work undertaken Capacity assessment Assistance for hire purchase of machinery from NSIC

#### 1.2.2. Modernization and Technology Up-gradation

- Technology Up gradation studies/In plant studies.
- Production-cum-process development Diversification of project

#### 1.2.3. Sick Unit Revival Programme

- Diagnostic studies for rehabilitation

#### 1.2.4. Ancillary Development Programme

- Vendor development
- Buyer-Seller meets
- Identification of ancillary items
- Quality awareness in vendor units

#### 1.2.5. Training Programmes

- Management Development training programme to enhance the required skills for exporting.

#### 1.2.6. Skill Development Training Programme in

- CNC wire Cutting Programming Workshop
- machine shop practice
- Managerial Assistance/Export Assistance:
- Facilitating participation in International Exhibitions
- Training in Export related subjects.
- Dissemination of Export related information.

1.2.7. Economic Research Information Service

Undertaking District Industrial Potential Surveys, Undertaking Market potential surveys Disseminating Government Policies and Programmes, Providing information on incentives and facilities available MSME sector in M.P. Energy Conservation Studies, Pollution Control Studies, Motivation Campaigns, Quality Awareness and Up gradation Programme.

1.2.8. M.P. Sub Contact Exchange (M.P.SX)

An existing small-scale entrepreneur, along with product details, can register their names with M.P. SX constantly interact with large and medium industries in the State as well as neighboring States and also with institutional buyers like DGS & D and identifies requirements of inventory. This information is disseminated to the small scale entrepreneurs to utilize the already existing spare capacity of production and hence helps in maximizing the profit. Any small-scale entrepreneur with the idle capacity of production is welcome to register with M.P.SX.

1.2.9. SENET (Small Scale Industries and Resource Center Network)

**SENET Objectives are:** To Create - an electronic intranet for small enterprises - databases for small enterprise To Provide - technical know-how and package assistance to small information servers - Training inputs - Limited financial assistance to information providers To Promote - a network alliance among the information services providers (to small enterprise ), including both the public and private sector.

1.2.10. TRC (Technology resource Center)

TRC is a 'TECHNOLOGY RECURSE CENTER' which is made functional from October, 2001. It is major drive to create a friendly and conducive environment for entrepreneurs. Entrepreneurs can assess the latest available technology and industry related information on the spot. Though it is started in a humble way, it is expected to hit in a big way in future by equipping itself to provide technology-related using the latest IT tools.

1.2.11. UPTECH: Integrated Technology Up gradation and Management Programme

UPTECH is launched by Development Commissioner (MSME-DI), Government of India. The objective of the project is to implement an integrated Technology Up gradation and Management programme addressed to the smaller skills based enterprises The programme is organized around clusters of enterprises and is designed to provide for the promotion cost that are inherent in transfer of technology from its producer to the end user .

1.2.12. MSME DI –SDTI (Micro, Small & Medium Enterprises (MSME -DI) – Selective Dissemination of Technology Information)

Micro, Small & Medium Enterprises (MSME- DI)–has been launched by the office of DC in collaboration With Technology bureau of small Enterprises (TBSE), is a joint venture of small industries Development bank of India (SIDBI)and Asia Pacific Center for transfer of technology (APCTT) The objective of the project is to build up a database on the technologies that are available indigenously With technology institution and with industry , and also to build up a parallel database of the technology requirements of Micro, Small & Medium Enterprises (MSME -DI). The project provides an excellent opportunity to both the small enterprises As well as those institutions and units that have technologies for offer /sale.

**2. Literature Review**

- DC-MSME (June, 2014) During primary research it was found that the Development Center of Micro, Small and Medium Enterprises identified, MSME sector as engine of growth all over the world. Many countries of the world have established a SME Development Agency as the nodal agency to coordinate and oversee all Government interventions in respect of the development of this sector. In the case of India, also Medium establishment has for the first time been defined in terms of separate Act, governing promotion and development of Micro, Small and Medium Enterprises (MSME) i.e. Micro, Small and Medium Enterprises (MSME) development Act, 2006 (which has come into force from 02nd Oct, 2006) the Office of Development Commissioner (Micro, Small and Medium Enterprises) functions as the nodal development Agency under the Ministry of Micro, Small and Medium Enterprises (MSME).Consequent to the increased globalization of the Indian economy, MSMEs are required to face new challenges. Office of the Development Commissioner (MSME) has recognized the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to MSMEs. Global trends and national developments have accentuated Office of the Development Commissioner (MSME)'s role as a catalyst of growth of MSMEs in the country.
- Dr. S.Baskaran (2013) identified that Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of the industrial output, 40% of exports, 42 million in employment, create one million jobs every year and produces more than 8000 quality products for the Indian and international markets. As a result, MSMEs are today exposed to greater opportunities for expansion and diversification across the sectors. The Indian market is growing rapidly and Indian industry is making remarkable progress in various Industries like Manufacturing, Precision Engineering, Food Processing, Pharmaceuticals, Textile & Garments, Retail, IT, Agro and Service sectors. SMEs are finding increasing opportunities to enhance their business activities in core sectors.
- Ishu Garg and Suraj Walia (2012) confirmed that undoubtedly the MSME sector has enormous potential, and is a crucial aspect of the Indian economy. However it is essential on the part of the government to take careful decisions and honest policy implementation to overcome the problems of MSME sector. A technologically vibrant, internationally competitive

small and medium industry should be encouraged to emerge, to make a sustainable contribution to national income, employment and exports. It is imperative to take care of MSME sector to enable it to take care of the Indian economy.

- Jaya Prakash Pradhan and Keshab Das (2012 ) advised that apart from improving the key business supporting infrastructure, the state policy makers may better enhance export orientation of SMEs by networking them to Research and Development facilities and providing easier access to information on overseas markets. This is because SMEs are more dependent on foreign technologies for enhancing their exporting rather than in-house Research and Development. Relatively smaller enterprises need greater support as they are disadvantaged by their size.
- Shaili Vadera and Nimisha Kulshreshtha(Dec 2010) identified that the small and medium enterprises today constitute a very important segment of the Indian economy. The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale enterprises. SMEs sector has emerged as a dynamic and vibrant sector of the economy. Today, it accounts for nearly 35% of the gross value of output in the manufacturing sector and over 40% of the total exports from the country. In terms of value added this sector accounts for about 40% of the value added in the manufacturing sector. The sector's contribution to employment is second highest next to agriculture.
- Shamika Ravi(2009) suggest that the government should play a facilitator role and improve access to finance by encouraging more banks and other financial institutions to enter the local market, instead of becoming an active player itself. The researcher also suggest the core competence of the government in certain roles, like creating a facilitating environment such as improved connectivity by roads, railways and airways, improved availability of electricity and water supply.

### 3. Methodology & Design

#### 3.1. The Study Design

The study undertaken is descriptive in nature which includes surveys & facts finding enquiries to measure the impact of new technology on the export potential of MSMEs situated in Indore region. The study is an attempt to analyze firm's core competencies with respect to production, quality standards, technology and financial performance (financial health) so that these can be promote as export oriented units in the near future. The Study has proven its validity on the ground of available literatures. The study also explores the positive aspects of various factors viz. Government schemes, technical assistance, etc. for the technological development of export oriented environment among the entrepreneurs. The exploration and evidences of studied phenomena gives better understanding and valuable knowledge about MSMEs in Madhya Pradesh while helping the researchers to carry relevant research topics for further studies. The study is primarily based on primary data collected from 192 Micro, Small and Medium Enterprises in Indore

#### 3.2. Sampling Plan

- Universe: Micro, Small and Medium enterprises situated in Indore region.
- Sampling Unit: The research covered 192MSMEs as target respondents. Responses had been collected from different categories of enterprises as given below.

##### 3.2.1. Types of Organizations

Micro Enterprise	Small Enterprise	Medium Enterprise
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Table 3

**Sample Size:** 192 enterprises have been examined falling into different categories.

Types of Organizations	
Micro Enterprises	31 responses
Small Enterprises	77 responses
Medium Enterprises	84 responses
Total	192

Table 4

#### 3.3. The Tools

- For Data Collection: Data has been collected using self designed questionnaire. The questionnaire was based on predetermined questions. The questionnaire was based on five point Likert scale.
- For Data Analysis: Once the response is collected it was converted into the useful data that can be used for statistical analysis by using SPSS software. Further, to meet the objective of the research Factor analysis (Using SPSS) used as a statistical tool.

#### 3.4. Research Hypotheses

H<sub>01</sub>: There exists no export potential for MSMEs in Indore region.

#### 4. Result

The current research was carried out by taking various variables that has been extracted from past researches and available literatures which likely to be significant determinant of examining export potential of a firm. The respondents were asked their opinion on the same. Collected responses were further processed using SPSS by applying 'Factor Analysis' and reduced variables into potential factors. The process of data reduction identified four major factors that have significant impact on firm's potential for executing export orders.

Below is the description of factor analysis:

<b>ANNEXURE 1: FACTOR DESCRIPTION</b>				
	<b>Items</b>	<b>Item Load</b>	<b>Total Factor Load</b>	<b>Potential Factors</b>
6	Skilled labor	0.841	<b>7.027</b>	<b>Competency</b>
8	Experience	0.837		
7	Managerial skills	0.805		
5	Logistics	0.786		
18	MIS	0.684		
19	Customer feedback	0.679		
15	Trainings	0.626		
17	Competitiveness	0.509		
10	Future export plan	0.475		
9	ICD	0.427		
22	Quality stds.	0.913	<b>3.599</b>	<b>Total Quality Management</b>
2	Schemes	0.874		
3	Govt. Assistance	0.864		
23	Certifications	0.770		
21	New product development	0.710		
16	Soft skill	0.605	<b>1.767</b>	<b>Export Performance Indicators</b>
20	Product innovation	0.601		
14	Capacity	0.568		
13	Superior product	0.548		
11	Working capital	0.717	<b>1.698</b>	<b>Financial Strength</b>
4	Export Knowledge	0.703		
12	Credit term	0.562		
1	Networking	0.534		

Table 5

Source: Compiled by Author

The scale was administered on 192 MSMEs (31 Micro enterprises, 77 Small enterprises & 84 Medium enterprises) Factors identified – *Competency*, *Total Quality Management (TQM)*, *Export Performance Indicators* & *Financial Strength* (Refer Annexure 1).

##### 4.1. First Factor: Competency (Factor load: 7.027)

This factor was measured by item number 6, 8, 7, 5, 18, 19, 15, 17, 10, 9. These items are named as:

- Skilled Labor (6) - One of the crucial criteria for meeting international product standard is consistency in product configuration which comes from the ability of a person performing the task. Employee's skill contributes considerable part enabling a firm competent with respect to concern standards. The study found that the studied MSMEs having skillful labor fleet that ensure consistent quality of work with reasonable cost of production. Skillful employee becomes an asset to the firm that a firm en-cash every day in the form of performance. (Item load: 0.841)
- Experience (8) - "Practice Makes Man Perfect", this quote denote how practice helps individuals to learn about certain process or procedure which become an experience over a time and the individual become expert into. MSMEs in Indore region are very much qualified in terms of experience. The study found that the firms having minimum experience of 10 years in production. The firms' experience gives strategic advantage to them in the form of lowest cost of production with higher standard of quality and product performance. (Item load: 0.837)
- Managerial Skills (7) - The firms are running under the supervision of qualified and experienced managers whose managerial skills acclaimed unity among the employees which result into low attrition rate, economies of scale because

of employee's experience and integrity in overall production process. The study found that the MSMEs are fortunate enough to have good managers with appreciable managerial skills. These managers are symbol of excellence and trust on these firms. (Item load: 0.805)

- Logistics (5) - Logistical infrastructure and facilities are very much upgraded. The firms having recommended inbound logistic infrastructure to ensure speedy work with efficient material handling technique. The study experienced well established logistical support (Inbound & Outbound both) to ensure timely and safe delivery of goods. Traditional material handling equipments and containers are now been replaced with high tech machineries and scientifically designed containers to retain the product quality while transportation and stuffing & de-stuffing. (Item load: 0.786)
- MIS (18) - Marketing information system enabling these firms to be innovative and proactive with respect to product innovation and new product development. Relevant information related to the market and trends are being provided by efficient marketing information system. Government too acting as an active participant in making these firms enable to access new business opportunity domestically and internationally. Various schemes viz. MAI (Market Access Initiatives) & MDA (Market Development Assistance), Vendor Development Program, National Award etc. have been introduced to help these MSMEs to reach up to global market. (Item load: 0.684)
- Customer Feedback (19) - The study experienced that the studied MSMEs are very much concern for customer feedback. Customers' feedbacks are well received and take it as guide to rectify the errors and as a source of motivation to maintain consistency in quality. These firms are highly techno savvy using almost all types of electronic sources of communication for instant information. (Item load: 0.679)
- Trainings (15) - Technical & soft skills training are found a regular phenomena in studied MSMEs. Firms are found very active at this front in order keep itself technically sound and competent to offer best product in the market. Regular training sessions and schedules have been observed taken by various training agencies & government planned programs. (Item load: 0.626)
- Competitiveness (17) - The study examined all the virtues of competitiveness in the firms and found studied MSMEs are reasonably competitive in all respect. Firms follow all the necessary procedure in production, follows important packing and bar coding norms, follows critical quality check points etc. The cost control mechanism was found very pretty which make them competitive in the market in terms of selling price. Such critical key qualities bring these MSMEs into lime light and made them potential future exporter. (Item load: 0.509)
- Future Export Plan (10) - Firms were found eager for export sales. All the targeted MSMEs looks forward for maximum exports even some of them are exporting to the certain extent (small portion of their production). Firms have concrete future plan for expansion their production and target market. Various government schemes which plays significant role in turning such dreams into action in the near future. The study found very good potential into these small enterprises to become big export giant very soon. (Item load: 0.475)
- ICD (9) - Inland container depot situated in Pithampur (M.P.) is a biggest advantage to exporting firms. ICDs facilitate all the facilities related to hiring container, shipping line, custom clearance, documentation and other legal clearance at single window. The presence of dry port (Inland Container Depot) gives comparative advantage to the exporting firms by offering single window clearance with respect to export sale as compare to the firms do not having ICDs presence around them. (Item load: 0.427)

#### 4.2. Second Factor: Total Quality Management (TQM)

This factor was measured by item number 22, 2, 3, 23, 21. These items are named as:

- Quality Standards (22) - Quality standards ensures sustained quality of product with predetermined standards. Firms were found very much concern about quality to meet international product quality standards. MSMEs having essential quality certifications to fulfill the market requirements. Process standards, packaging and bar coding standards, in-process quality check etc. are the key strength of these enterprises. (Item load: 0.913)
- Schemes (2) - Government has taken an initiative to increase exports of various commodities in which India has competitive advantage. These commodities are very basic and fast consuming item for which big business house are least concern. Government with the help of Micro, Small and Medium Enterprises is trying to cater the need of international market and increase forex revenue. Government with the help of various schemes related to finance, quality standards, process & certifications enabling these firms competent for doing export. (Item load: 0.874)
- Government Assistance (3) - Export promotion is one of the prime concern areas of government's five year plan. Government has launched various schemes to promote exports from India. Various tax relaxation schemes, finance schemes, research and development schemes, sampling and prototype schemes etc. are some of the appreciable steps taken by the government. With such government assistance MSMEs can prosper in their field. (Item load: 0.864)
- Certifications (23) - Various certifications viz. quality certification, food safety certification, packaging and bar coding certification are the strategic advantage to these firms. These certifications helping them in meeting foreign buyers' quality requirements with government approved quality certificate. These certifications are issued by government with the help of various concern departments in order to ensure quality standard in process and product. (Item load: 0.770)
- New Product Development (21) - The study found MSMEs are on the way of continuous development of new product in the form of entirely new concept, updating in the existing one or modification in current product. This approach enables these firms competitive in the market by taking proactive action on upcoming trend and demand pattern of the customers. New product development is a very good business strategy for competing market. (Item load: 0.710)

#### 4.3. Third Factor: Exporter Performance Indicators

This factor was measured by item number 16, 20, 14, and 13. These items are named as:

- Soft Skills (16) - Soft skills represents behavior and attitude of a person, body language, talking tone & pitch and many more that make an individual good or bad while dealing with others. By understanding the significance of soft skills among employees especially in marketing guys who deals with foreign clients MSMEs has launched different in-house & outsourced training programs. MSMEs were found very prompt on this aspect and running regular soft skills training programs in order to inculcate necessary intrinsic qualities among the employees. (Item load: 0.605)
- Product Innovation (20) - Product innovation is a part business or marketing strategy of a firm. MSMEs were found very eye opened on this matter. They had introduced different policies related to product innovation. Different product variants (as per quantity, quality and weight) had been added to the product range in order to cater all types of market needs. Product innovation was found as a part of MSMEs' business plan which gives a competitive edge to them. (Item load: 0.601)
- Capacity (14) - The study found that MSMEs in Indore region have significantly increased their production over a short span of time. Maximum studied MSMEs are running on their full scale. The overall production in quantity has strength to meet export assignment with exportable quality. The government too very much concern about their production capacity. Government initiated various programs that help the firms in achieving full scale production capacity or installed capacity. In capacity wise MSMEs in Indore region are ready to meet export requirement in all sense. (Item load: 0.568)
- Superior Product (13) - MSMEs claims for superior product in all respect viz. quality, quantity, price, durability, performance and safety to users. Superior product fights with rival's product strategically and provide competitive edge to the firms. The study found that the products manufactured by these firms are reasonably better and meets all the quality standards to qualify to the international market. (Item load: 0.548)

#### 4.4. Fourth Factor: Financial Strength

This factor was measured by item number 11, 4, 12, 1. These items are named as:

- Working Capital (11) - The firms studied were performing well in all their financial affairs. MSMEs having good financial track record, good financial health and better financial performance. Working capital requirement were being fulfilled from firm's reserved resources and yearly earned profits. Government is also involved in providing adequate financial facilities to these firms. Therefore, the study found that MSMEs situated in Indore region have no working capital problem and ready to meet any export assignment technically and financially. (Item load: 0.717)
- Export Knowledge (4) - The study found that the enterprises in Indore region have been exporting for more than 10 years. Firms have full knowledge of exports and export related requirements. (Item load: 0.703)
- Credit Term (12) - The firms were found very comfortable in crediting export for short period of time. They have resources available with them that can meet the short term requirement of funds to offer trade credit. (Item load: 0.562)
- Networking (1) - MSMEs have good business network nationwide that facilitate better business opportunity, relevant market information and new market access. Networking helps firm to generate new enquires and searching for new prospects to enlarge business circle. Due to extensive business network the firms were found updated on raw material prices, other supplier's rate and possibilities of sourcing material from other ventures in order to offer best possible price at international market. (Item load: 0.534)

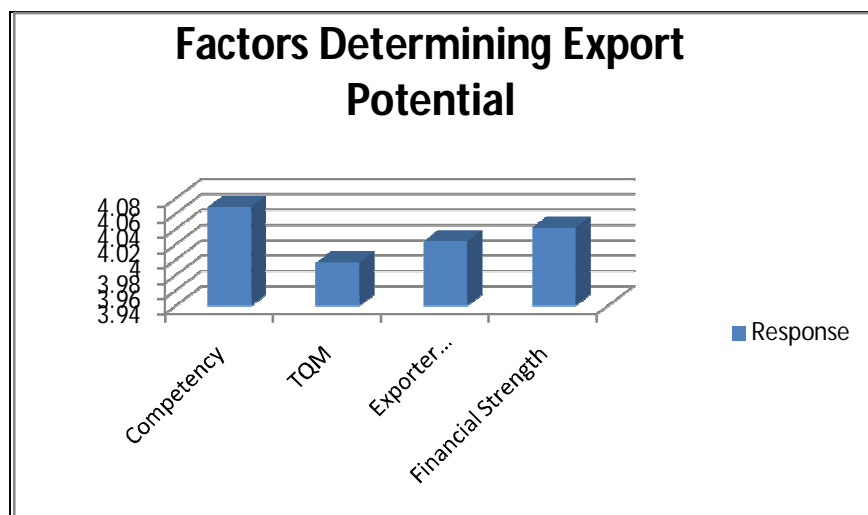


Figure 1: Factors determining Export potential

$H_{01}$ : There exists no export potential for MSMEs in Indore region.

Source: Compiled by Author (Factors are rated on 5 point Likert Scale)

The assumed null hypothesis  $H_{01}$  tested on total factor load derived from factor analysis of each identified factor. The above graph chart represents the numerical value of each identified factor based on five point measuring scale. Potential factors viz. Competency, TQM, Export Performance Indicators & Financial Strength are rated at 4 and above that shows each factor is strongly present in MSMEs situated in Indore region.

The null hypothesis  $H_{01}$  can be assumed rejected as the factor load of each factor is above 4 rating. Below are the evaluating criteria:

Factor rating  $\leq 3$  Hypothesis Rejected

Factor rating  $> 3$  - Hypothesis Accepted

- **Competency:** This factor is rated at 4.06 (Refer table 4.1a) which fall under acceptance range, hence we can conclude that the enterprises in Indore region possesses competencies in all respect viz. skilled labor for quality of products and error free job, managerial skills to manage the things efficiently in order to meet desired results, experience in their field of business, efficient logistic and supply chain management to ensure timely delivery, marketing information system to get update on every latest event and trend, customer feedback system for continuous learning of customers' expectation, trainings for updating managers and workers about latest technology & method of production etc.
- **Total Quality Management:** This factor is rated at 4.00 (Refer table 4.1a) which is under acceptance region, hence, the study concluded that MSMEs controls all the parameters related to meeting quality standards of product as well as production process. It includes internal quality standards and certifications mandatory for specific purpose. Different government schemes and assistance ensures the government involvement in promoting exports with exportable quality of products and services.
- **Export Performance Indicators:** This factor is rated at 4.02 (Refer table 4.1a) which is under acceptance region, therefore, the study revealed that MSMEs in Indore region equipped with all parameters which indicates the ability of the firm to meet export assignments. Export performance indicator includes soft skills that a firm must ensure into its managerial staff who communicates with foreign buyers, product innovation that can meet international demand pattern as well as prove itself as a unique product among the competitors' products, capacity to meet export orders in every aspect viz. handling big orders financially, technically & operationally as well.
- **Financial Strength:** This factor is rated at 4.04 (Refer table 4.1a) which fall under the acceptance range, hence, the study concluded that the studied MSMEs have financial strength to meet the export assignments. Financial performance of these MSMEs were analyzed at different aspects viz. working capital required for handling export orders, credit term for dealing in financial issues, past performance of the firm etc. The factors' rating revealed that the firms having adequate funds available with them to fulfill all the requirements of exports.

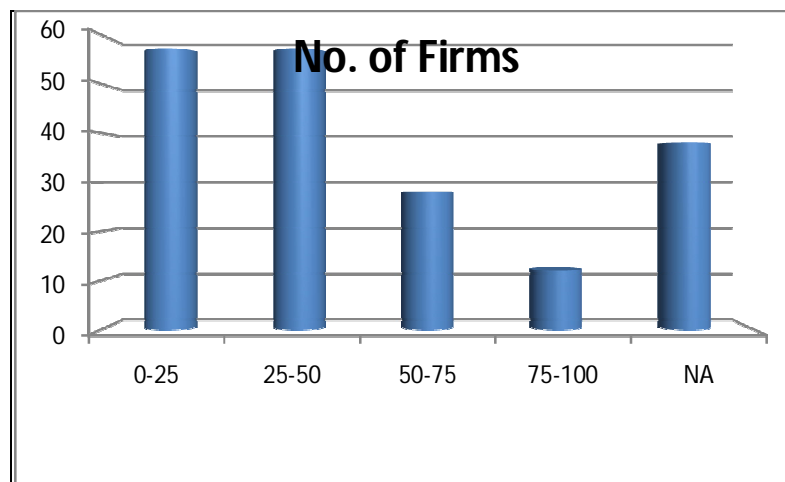


Figure 2: Percentage of Exports from Total Production)

Source: Compiled by Author

Null hypothesis  $H_{01}$  was tested on another parameter i.e. 'percentage of exports from total production' of MSMEs situated in Indore region. The null hypothesis was found rejected on the basis of percentage of exports from total production (Refer table 4.1b). It means the MSMEs situated in Indore region have export potential. The above mentioned graph revealed that out of the total studied MSMEs (192 MSMEs) only 38 firms are not involving in export rest all firms are exporting.

### 5. Conclusion "Hope Is the Beacon Which Points to Prosperity"

As per the result it is concluded that more than 50 % of the firms in Indore studied are exporting up to 50 % of their production, it shows a great potential of these firms in the near future if they raise their exports up to the 100 % of their production capacity. Around 22 % firms are exporting 50 - 100 % of their production. All these facts and figures revealed that MSMEs in Indore region are significantly potential to meet export assignment.



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