ABSTRACT

In recent times, enhancing small-scale enterprises have been viewed as an effective way of fostering the private sector’s contribution to the economic development of a nation. Small-scale enterprises play a key role in the industrialization of a developing country like India. The survival and success of a firm mainly depends on the business environment existing in the State or country where it exists. There seems to be an agreement among researchers that the more conducive the business environment, the more likely new business will emerge and grow.

The State of Kerala has a very high HDI and excellent standard of living. But Kerala’s industrial sector, especially the micro and small-scale manufacturing sector, has not been performing well for a quite long period of time. If keralites can be more entrepreneurial in other States or countries than in Kerala, the reason should be attributed to the prevailing business environment in Kerala and not to the venturesome or lethargic character of keralites. In this context, an investigation was conducted in the State of Kerala to determine the impact of different business environmental factors (whether favourable or unfavourable) on the micro and small-scale manufacturing enterprises. An attempt was also made to identify the main problems of enterprises in the functional areas.

The study focused on the following objectives:

- To identify the major problems faced by the manufacturing enterprises in the functional areas of Production, Marketing, Human Resource Management and Finance.
• To assess whether there is any significant difference in the problems in the functional areas faced by the manufacturing enterprises in the Micro-Sector and the Small-Scale Sector.

• To identify the impact of the dominant micro business environmental factors (favourable or unfavourable) connected with the Suppliers, Customers, Competitors, Marketing intermediaries, Financiers, the Public and the Regulatory Agencies in the functioning of manufacturing enterprises in Kerala.

• To assess whether there is significant difference in the impact of the micro business environmental factors affecting the manufacturing enterprises in the Micro-Sector and the Small-Scale Sector in Kerala.

• To ascertain the impact of the dominant macro business environmental factors (favourable or unfavourable) in terms of the Economic, Technological, Natural, Governmental, Political, Demographic, Socio-Cultural and Global components in the functioning of manufacturing enterprises in Kerala.

• To analyze the difference in perception, if any, between the stakeholders-entrepreneurs and facilitators, relating to the impact of the macro business environmental factors in the functioning of manufacturing enterprises.

• To examine the trend in the growth of Small-Scale Industries/Micro, Small and Medium Enterprises in the State of Kerala, in terms of the number of units, the employment created and the investment made.

• To suggest policy measures for the promotion of the Micro and Small Manufacturing Enterprises in the State of Kerala.
The study identified the main problems in the functional areas of production, marketing, finance and human resource management. The main recognised problems in the functional areas were:

1. **Production area**: lack of skilled labour force and higher cost of production.
2. **Marketing area**: inability to increase sales price and inadequate publicity.
3. **Financial area**: complicated legal formalities for getting loan from banks and the higher additional charges for loans.
4. **Human resource management area**: non-availability of labour force and the demand for higher monetary and non-monetary benefits.

The study identified the impact of micro environmental factors upon the functioning of micro and small manufacturing enterprises. The impact of factors connected with the customers, the public, the marketing intermediaries and the regulatory agencies was found as favourable. But the impact of the competitors, the suppliers and the financiers was found as unfavourable to the entrepreneurial community. The collective impact of seven micro environmental factors is favourable to the entrepreneurial community. As per ‘t’ test analysis, there is no significant difference between micro enterprises and small-scale enterprises regarding the overall positive impact of micro business environmental factors.

The study also identified the impact of macro business environmental factors upon the manufacturing enterprises in Kerala. The identified favourable factors are
the demographic factors, the technological factors and the economic factors. The factors which showed negative impact are the political factors, the global factors, the socio-cultural factors, the governmental factors and the natural environmental factors. Both the entrepreneurs and the facilitators believe that the overall impact of macro business environmental factors is unfavourable to the manufacturing enterprises in the State of Kerala.

Keywords: - Business environment, micro enterprises, small enterprises, facilitators, line departments.