



SME



**EMPIRICAL STUDY ON
FINANCIAL COMPETITIVENESS OF
SMEs IN GUJARAT**

**Dr. NIKITA MEHTA
Dr. MAMTA BRAHMBHATT**

ABOUT THE AUTHORS



Dr. Nikita Mehta, PhD, MBA, B.com

Dr Nikita lives in Calgary, Canada. She is having seven years of professional experience in business research, investment consulting and management teaching. She has four years of research experience and has published and presented multiple research papers in UGC listed journals and national and international conference. Her major research areas are – competitiveness, financial management and SMEs.



Dr. Mamta Brahmhatt, – MBA, BBA, DCA, M. Com, Ph.D. UGC_NET (Management), GSLET (Commerce), PGDRM, Certification in SPSS

Dr. Brahmhatt is having more than 18 years of academic and research experience and at present she is serving as Associate Professor in Quantitative Techniques and Strategic Management area at B.K. School of Business Management, Gujarat University. She has published and presented papers in several major international and national referred journals. Her publication includes 100 plus published research papers and twenty books.



Published by
L ORDINE NUOVO PUBLICATION
lonpublication@gmail.com
www.nuovopublication.com

ISBN 939008434-2



9 789390 084340

TABLE OF CONTENTS

CHAPTER ONE

INTRODUCTION

1.1	Indian SME Sector – A present scenario.....	2
1.1.1	Background.....	2
1.1.2	Definitions of Micro, Small & Medium Enterprises.....	2
1.1.3	Recent policy initiatives to enhance SME Competitiveness.....	3
1.1.4	Indian SMEs and Economic growth.....	5
1.2	Gujarat's SME sector – A present scenario.....	7
1.2.1	Gujarat's MSME sector and economic growth.....	7
1.2.2	Gujarat Government's policy to increase competitiveness of SME Sector.....	8
1.2.3	Gujarat's SME sector at glance.....	10
1.3	SMEs and Competitiveness.....	11
1.4	Key challenges for Indian SME sector.....	11
1.5	Motivation for this study.....	12
1.6	Importance of this study.....	12
1.7	Scope of this study.....	13
	Chapter Summary.....	13
	References of chapter 1.....	13

CHAPTER TWO

FIRM COMPETITIVENESS AND FINANCIAL COMPETITIVENESS: THEORETICAL FRAMEWORK

2.1	Background.....	16
2.2	Competitiveness – Concept and Discussion.....	18
2.2.1	Firm Competitiveness.....	18
2.2.2	Financial competitiveness.....	18
2.3	Theoretical Frameworks and Models.....	18
2.3.1	Global Competitiveness Index Model.....	18
2.3.2	Porter's Diamond Model.....	19
2.3.3	Tata Business Excellence Model.....	19
2.3.4	Baldrige Excellence Frame-work.....	20
2.3.5	Competitive Advantage Theory.....	20
2.3.6	Resource Based View Theory.....	21
2.3.7	Capability Theory of Competitiveness.....	21
2.3.8	Knowledge Based View Theory.....	21
2.3.9	APP Model (Assets, Processes and Performance).....	21
2.3.10	Economic Value Added Model.....	22
2.3.11	EFQM.....	22
2.3.12	Business Score Card.....	23
2.3.13	Financial Ratio Analysis and other financial tools.....	23
2.4	Variables of the study.....	25
	Chapter Summary.....	27
	References For Chapter 2.....	28

**CHAPTER THREE
LITERATURE REVIEW**

3.1	Introduction.....	31
3.2	Competitiveness.....	32
3.3	Firm Competitiveness.....	34
3.4	SME Competitiveness.....	37
3.5	Financial Competitiveness.....	41
3.5.1	Financial Knowledge and Competitiveness.....	43
3.5.2	Financial Innovation and Competitiveness.....	44
3.5.3	Financial Capability and Competitiveness.....	45
3.5.4	Financial Flexibility and Competitiveness.....	45
3.5.5	Financial Strategy and Competitiveness.....	46
3.5.6	Financial Competitiveness Evaluation System.....	47
3.6	Research Gaps Identified.....	48
	Chapter Summary.....	49
	References For Chapter 3.....	50

**CHAPTER FOUR
RESEARCH METHODOLOGY**

4.1	Introduction.....	57
4.2	Research Philosophy.....	57
4.3	Research Process.....	57
4.4	Problem Statement.....	59
4.5	Research Objectives and Research Questions of the Study.....	59
4.6	Scope of Primary Research Study.....	59
4.6.1	Measurement of Variables under Study.....	60
4.6.2	Proposed Framework and Statements of Hypothesis.....	60
4.6.3	Research Approach.....	61
4.6.4	Sources of Data.....	62
4.6.5	Sampling Population.....	62
4.6.6	Sampling Unit.....	62
4.6.7	Sampling Frame.....	62
4.6.8	Sample Size.....	62
4.6.9	Sampling Technique.....	63
4.6.10	Questionnaire Development.....	63
4.6.11	Data Processing and Analysis.....	65
4.7	Secondary Data Analysis [Financial Competitiveness Evaluation System-FCES].....	65
4.7.1	Sample Selection.....	65
4.7.2	Financial Indicators of the study.....	65
4.7.3	Empirical Analysis - Method of factor analysis.....	66
4.8	Limitations of the Study.....	67
4.9	Scope of Future Research.....	67
	Chapter Summary.....	67
	References of chapter 4.....	68

CHAPTER FIVE
DATA ANALYSIS AND INTERPRETATION

5.1	Introduction.....	70
5.2	Primary Data Analysis.....	70
5.2.1	Response Rate.....	70
5.2.2	Reliability testing of a questionnaire instrument.....	70
5.2.3	Normality testing.....	70
5.3	Descriptive statistics.....	71
5.4	Factor analysis – Primary data analysis.....	77
5.5	Cross tabulations for the primary component of factor analysis.....	82
5.5.1	Cross tabulations with principal component – Financial Flexibility...	82
5.5.2	Cross tabulations with principal component – Financial Capability...	87
5.5.3	Cross tabulations with principal component – Financial Knowledge.	89
5.6	Hypothesis testing.....	91
5.6.1	Pearson correlations hypotheses.....	91
5.6.2	Hypothesis Testing based upon the control variables of the SMEs....	102
5.6.2.1	MANOVA between Sector of the SME and financial Competitiveness factors.....	102
5.6.2.2	MANOVA between Age of the SME and financial competitiveness factors.....	103
5.6.2.3	MANOVA between stock exchange listing of SME and financial competitiveness factors.....	104
5.6.2.4	MANOVA between Special economic zones located SME and factors of financial competitiveness.....	105
5.6.2.5	MANOVA between Owners' type of SMEs and factors of financial competitiveness.....	107
5.6.3	The FFF framework - five financial facets (Factors) framework.....	111
5.6.4	Chi squares testing for hypothesis testing.....	112
5.6.4.1	Chi square between SEZ situated and easy access to finance.....	113
5.6.4.2	Chi square between the age of SME and easy access to finance.....	113
5.6.4.3	Chi square between the stock exchange listed and easy access to finance.....	113
5.6.4.4	Chi square between the type of ownership and easy access to finance.....	114
5.7	Binary Logistic Regression.....	114
5.8	Secondary Data Analysis - Financial Competitiveness Evaluation System-FCES.....	117
5.8.1	Extracting main factor.....	117
5.8.2	Establishing Factor load Matrix.....	117
5.8.3	Calculation of factor Score and Comprehensive Score.....	118
5.8.4	Interpretation of Secondary data analysis.....	120
	Chapter Summary.....	120
	References of chapter 5.....	121

CHAPTER SIX
FINDINGS, CONCLUSION AND RECOMMENDATIONS

6.1	Findings.....	123
6.1.1	Factors extracted of financial competitiveness of SMEs.....	123
6.1.2	Cross tabulation findings.....	123
6.1.3	Hypothesis testing findings between the factors of financial competitiveness.....	123
6.1.4	Hypothesis testing findings based upon the control variables of the SMEs.....	123
6.1.5	Other hypothesis testing findings results.....	124
6.1.6	Binary Logistic Regression findings.....	124
6.1.7	Financial Competitiveness Evaluation System- FCES findings.....	124
6.2	Conclusion.....	124
6.2.1	Components of financial competitiveness of SMEs in Gujarat.....	124
6.2.2	Relationship between various financial factors and financial competitiveness of SMEs.....	125
6.2.3	The financial competencies that leads to competitive advantage to SMEs.....	125
6.2.4	A financial competitiveness evaluation system.....	126
6.3	Recommendations.....	126
	References of chapter 6.....	127
	<i>Bibliography</i>	127
	<i>Annexure</i>	137