

Human Resource And Marketing Challenges In Small-Scale Industries Of Andhra Pradesh: An Empirical Investigation

Satheesh Nimmala (Corresponding Author)¹, Dr. G. Tamizharasi²

¹Research Scholar, Department of Business Administration, Annamalai University, Annamalai Nagar, Tamil Nadu – 608002, India satheesh.nimmala@annamalaiuniversity.ac.in

²Research Supervisor, Department of Business Administration, Annamalai University, Annamalai Nagar, Tamil Nadu – 608002, India

Abstract

Small-scale industries (SSIs) play a vital role in India's economic development by generating employment, promoting entrepreneurship, and contributing significantly to industrial production and exports. Andhra Pradesh has emerged as an important manufacturing state with nearly 98,000 registered SSI units operating across sectors such as food processing, textiles, pharmaceuticals, engineering products, handicrafts, and marine industries. Despite policy support and increasing industrialization, these enterprises continue to face serious human resource and marketing challenges that adversely affect their competitiveness and long-term sustainability.

This study investigates the major human resource and marketing challenges faced by SSIs in Andhra Pradesh using a mixed-method research approach. Primary data were collected from 420 owner-managers and 180 employees across six industrial clusters through structured questionnaires and semi-structured interviews. Statistical analysis was performed using descriptive statistics, ANOVA, correlation analysis, and multiple regression.

The findings reveal that shortage of skilled labour, high employee turnover, inadequate employee training, digital marketing deficiencies, weak market intelligence, and limited branding capabilities are the most critical constraints affecting business performance. Significant regional differences exist among industrial clusters, with Anantapur and Kurnool experiencing greater operational challenges than Visakhapatnam and Vijayawada-Guntur. The study further establishes a strong relationship between human resource deficiencies and marketing performance, demonstrating that firms with better human resource practices achieve superior marketing outcomes and improved business performance.

The study recommends integrated interventions involving government agencies, educational institutions, industry associations, and business owners to strengthen workforce capabilities, promote digital marketing adoption, improve market intelligence systems, and enhance competitiveness of small-scale industries in Andhra Pradesh.

Keywords: Small-Scale Industries, Human Resource Management, Marketing Challenges, MSMEs, Digital Marketing, Skill Development, Andhra Pradesh.

1. Introduction

Small-scale industries (SSIs) are recognized as one of the most important contributors to economic growth, employment generation, industrial diversification, and balanced regional development. In India, the Micro, Small and Medium Enterprises (MSME) sector contributes nearly 29 percent of the national Gross Domestic Product, accounts for almost half of total exports, and provides employment to more than 110 million people. These enterprises serve as the backbone of manufacturing and service activities, particularly in developing states such as Andhra Pradesh.

Andhra Pradesh possesses a diversified industrial structure comprising nearly 98,000 registered SSI units operating in sectors including food processing, engineering products, textiles, pharmaceuticals, handicrafts, marine products, and agro-based industries. Government initiatives such as the Andhra Pradesh Industrial Development Policy and various MSME development programmes have created favourable conditions for industrial growth. Nevertheless, many small enterprises continue to struggle because of persistent human resource and marketing problems that limit productivity, profitability, and long-term competitiveness.

Human resource challenges include shortage of skilled employees, high labour turnover, inadequate training, limited compensation, and difficulty in retaining experienced workers. Marketing challenges involve weak branding, poor digital marketing capability, inadequate market intelligence, dependence on intermediaries, and limited access to national and international markets. Since marketing success depends heavily on employee capability and organizational knowledge, weaknesses in human resource management directly influence marketing performance.

Although previous studies have independently examined HR issues and marketing constraints in MSMEs, limited research has investigated their combined influence within the context of Andhra Pradesh. This study attempts to bridge this gap by analysing both dimensions simultaneously through empirical investigation.

The major objectives of this study are:

1. To identify the major human resource challenges faced by SSIs.
2. To examine marketing challenges affecting business performance.
3. To analyse the relationship between HR practices and marketing performance.
4. To compare challenges across major industrial clusters in Andhra Pradesh.
5. To recommend practical strategies for improving competitiveness.

2. Review of Literature

Human resource management has been widely recognized as a critical determinant of organizational effectiveness, particularly among small enterprises where employees directly influence productivity and customer satisfaction. Previous studies indicate that limited financial resources, informal HR practices, and inadequate training systems prevent SSIs from attracting and retaining qualified employees. Researchers have consistently reported that skill shortages, employee turnover, wage disparities, and lack of structured training remain major concerns for Indian MSMEs.

Studies conducted in various Indian states have shown that recruitment through informal networks often results in limited access to skilled labour, while inadequate investment in employee development reduces productivity and increases labour attrition. The emergence of Industry 4.0 technologies has further increased the demand for technically skilled employees, creating additional challenges for small enterprises that possess limited technological capabilities.

Marketing capability is another important factor influencing business growth. Previous research indicates that small enterprises experience considerable difficulties in branding, product promotion, pricing, distribution, and customer acquisition due to financial limitations and lack of professional marketing expertise. The rapid growth of digital marketing has widened the competitive gap between technologically advanced firms and traditional small enterprises.

Recent studies report that only a small proportion of Indian MSMEs effectively utilize websites, social media platforms, and e-commerce marketplaces. Limited digital literacy, insufficient technical knowledge, and perceived financial risks discourage many entrepreneurs from adopting digital marketing practices. Consequently, businesses remain dependent on traditional marketing channels and intermediaries, reducing profitability and market reach.

The Resource-Based View (RBV) theory emphasizes that skilled human resources constitute a strategic organizational asset capable of generating sustainable competitive advantage. Well-trained employees improve customer service, innovation, product quality, and marketing effectiveness. Consequently, human resource development and marketing performance should be viewed as complementary rather than independent organizational functions.

Despite considerable research on HR management and marketing individually, relatively few empirical studies have simultaneously examined their combined influence on business performance within Andhra Pradesh's SSI sector. Furthermore, previous research has largely concentrated on industrially developed states such as Maharashtra, Gujarat, Karnataka, and Tamil Nadu, leaving a significant research gap regarding Andhra Pradesh.

Accordingly, this study adopts an integrated analytical framework that investigates both human resource and marketing challenges using quantitative and qualitative evidence to provide comprehensive policy recommendations for strengthening the competitiveness of small-scale industries in Andhra Pradesh.

3. Research Methodology

3.1 Research Design

The study employed a convergent parallel mixed-methods research design, integrating quantitative and qualitative approaches to obtain a comprehensive understanding of the human resource and marketing challenges faced by small-scale industries (SSIs) in Andhra Pradesh. The quantitative component constituted the primary method, while qualitative interviews were used to validate and explain the statistical findings through triangulation.

3.2 Study Area and Sampling

The study was conducted across six major industrial clusters of Andhra Pradesh representing diverse industrial sectors and geographical regions:

Industrial Cluster	Major Industries	Sampled SSI Units
Visakhapatnam	Pharmaceuticals, Engineering, Marine Processing	70
Vijayawada–Guntur	Agro-processing, Textiles, Automobile Services	70
Tirupati–Chittoor	Electronics, Leather, Food Processing	70
Rajahmundry	Paper Products, Furniture, Oil & Gas Ancillaries	70
Kurnool	Cement Products, Granite, Cotton Ginning	70
Anantapur	Groundnut Processing, Handloom, Solar Components	70

A stratified multi-stage random sampling technique was adopted. From each industrial cluster, 70 registered SSI units were selected using the Udyog Aadhaar database, resulting in 420 owner-managers. Additionally, 180 employees were surveyed to obtain the employee perspective, producing a total sample of 600 respondents. Data collection was carried out between September 2023 and February 2024.

3.3 Research Instruments

Two structured questionnaires were developed.

Questionnaire for Owner-Managers

The instrument consisted of five sections:

- Demographic and enterprise profile
- Human Resource Challenges
- Marketing Challenges
- Business Performance
- Suggestions and future requirements

Human resource challenges were measured under four dimensions:

- Skilled labour shortage
- Employee retention
- Compensation and wage issues
- Training and skill development

Marketing challenges were measured using four dimensions:

- Digital marketing capability
- Brand building and visibility
- Market intelligence
- Distribution channel constraints

All statements were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Employee Questionnaire

The employee survey focused on:

- Job satisfaction
- Training opportunities
- Career development
- Workplace environment
- Retention issues

Semi-structured interviews with selected respondents complemented the survey data by providing detailed qualitative insights into operational challenges and managerial practices.

3.4 Statistical Tools

The collected data were coded and analysed using SPSS (Version 28.0), while advanced modelling employed AMOS 26.0. Qualitative interview data were analysed using NVivo 14 following a thematic analysis framework.

The following statistical techniques were used:

- Descriptive Statistics
- Reliability Analysis (Cronbach's Alpha)
- Independent Sample t-test
- One-way ANOVA
- Pearson Correlation Analysis
- Multiple Linear Regression Analysis
- Thematic Analysis for qualitative data

These techniques were employed to identify significant HR and marketing challenges, compare industrial clusters, examine relationships among variables, and determine the factors influencing business performance.

4. Results and Discussion

4.1 Profile of Respondents

A total of 600 respondents participated in the study, comprising 420 owner-managers and 180 employees representing six major industrial clusters of Andhra Pradesh. The sampled enterprises covered diverse manufacturing sectors including food processing, engineering, textiles, pharmaceuticals, marine products, handicrafts, electronics, leather products, furniture, cement products, and renewable energy components. The respondents represented enterprises of different sizes and years of operation, providing a comprehensive understanding of HR and marketing challenges across the state.

4.2 Human Resource Challenges

Descriptive analysis revealed that human resource management remains one of the most significant operational challenges confronting small-scale industries.

Table 1: Human Resource Challenges – Descriptive Statistics

Human Resource Challenge	Mean Score	Interpretation
Skilled labour shortage	3.92	Very High
Employee attrition	3.74	High
Wage disparity	3.61	High
Training & skill development gap	3.87	Very High

The shortage of skilled employees emerged as the most critical HR issue affecting productivity and operational efficiency. Many enterprises relied on informal recruitment methods and experienced difficulty retaining trained employees because of competition from larger organizations offering better salaries and career opportunities. Limited investment in employee training further aggravated workforce shortages.

4.3 Marketing Challenges

Marketing-related issues were equally severe among the surveyed enterprises.

Table 2: Marketing Challenges – Descriptive Statistics

Marketing Challenge	Mean Score	Interpretation
Digital marketing gap	4.08	Very High
Brand visibility	3.81	High
Market intelligence deficiency	3.85	High
Distribution constraints	3.68	High

The findings indicate that a majority of SSIs lack adequate digital marketing capabilities. Limited use of websites, social media platforms, e-commerce channels, and digital advertising significantly restricts market expansion. Weak branding and insufficient market intelligence further reduce the competitive position of these enterprises.

4.4 Comparison among Industrial Clusters

A One-Way ANOVA was performed to examine whether the severity of HR and marketing challenges differed across the six industrial clusters.

The analysis revealed statistically significant differences among clusters: $F = 5.51$, $p < 0.001$.

Among all clusters:

- Anantapur reported the highest level of combined HR and marketing challenges.
- Kurnool also experienced relatively severe operational difficulties.
- Visakhapatnam demonstrated comparatively lower challenge scores owing to stronger industrial infrastructure and better market accessibility.

These findings indicate that regional industrial ecosystems significantly influence enterprise performance and resource availability.

4.5 Correlation Analysis

Pearson correlation analysis was conducted to examine the relationship among HR challenges, marketing challenges, and business performance.

Table 3: Correlation Matrix – HR Challenges, Marketing Challenges & Business Performance

Variables	Correlation (r)
HR Challenges ↔ Marketing Challenges	0.582**
HR Challenges ↔ Business Performance	-0.493**
Marketing Challenges ↔ Business Performance	-0.527**

Note: ** $p < 0.01$ (all relationships statistically significant)

The results indicate a strong positive relationship between HR and marketing challenges, suggesting that deficiencies in one area reinforce problems in the other. Both HR and marketing challenges exhibited significant negative relationships with business performance, indicating that enterprises facing greater operational constraints experience lower organizational performance. Furthermore, higher owner education levels and greater digital adoption were associated with fewer operational challenges and better business outcomes.

4.6 Multiple Regression Analysis

Multiple regression analysis was employed to identify the major determinants of business performance.

Table 4: Predictors of Business Performance – Multiple Regression Results

Predictor Variable	β (Standardized)	Significance
Training & Skill Gap	-0.412	$p < 0.001$
Market Intelligence Deficit	-0.386	$p < 0.001$
Digital Marketing Gap	-0.304	$p < 0.001$
Employee Attrition	-0.281	$p = 0.001$
Owner Education	0.237	$p = 0.001$
Firm Size	0.196	$p = 0.002$
Model Summary: $R^2 = 0.487$, Adjusted $R^2 = 0.472$, $F = 65.34$, $p < 0.001$		

The regression model explains approximately 49% of the variation in business performance, indicating substantial explanatory power. Training and skill deficiencies emerged as the strongest negative predictor, followed by inadequate market intelligence and digital marketing capability. Conversely, owner education and firm size positively influenced organizational performance, emphasizing the importance of managerial competence and enterprise capacity.

4.7 Discussion

The empirical findings confirm that human resource and marketing challenges are closely interconnected and jointly influence the competitiveness of small-scale industries in Andhra Pradesh. Enterprises facing shortages of skilled labour often struggle to implement effective marketing strategies, adopt digital technologies, and respond to changing customer preferences. Likewise, weak marketing performance limits revenue generation, reducing the ability of firms to invest in employee development and retention.

The significant positive correlation between HR and marketing challenges supports the Resource-Based View (RBV), which argues that human capital is a strategic resource for achieving competitive advantage. Skilled employees contribute directly to customer satisfaction, innovation, product quality, and marketing effectiveness. Therefore, improvements in workforce capability are likely to enhance both operational efficiency and market performance.

Regional variations identified through ANOVA suggest that policy interventions should be tailored to the specific needs of individual industrial clusters rather than relying on a uniform state-wide strategy. Enterprises located in relatively underdeveloped clusters require greater institutional support in skill development, digital marketing adoption, and market access.

Summary of Major Results

- Skilled labour shortage is the most serious human resource challenge (Mean = 3.92).
- Digital marketing deficiency is the most significant marketing challenge (Mean = 4.08).
- HR and marketing challenges exhibit a strong positive correlation ($r = 0.582$).
- Training and skill gaps are the strongest negative predictor of business performance ($\beta = -0.412$).
- Significant differences exist among industrial clusters ($F = 5.51$; $p < 0.001$).
- Approximately 49% of the variation in business performance is explained by the regression model ($R^2 = 0.487$).

5. Key Findings

The empirical analysis provides important insights into the human resource and marketing challenges affecting the performance of small-scale industries (SSIs) in Andhra Pradesh.

The major findings are summarized below:

6. Skilled labour shortage is the most critical human resource challenge, affecting productivity, operational efficiency, and business growth. Most enterprises experience difficulties in recruiting technically competent employees due to competition from larger organizations.
7. Employee attrition remains a major concern because of lower salary structures, limited career advancement opportunities, and inadequate employee welfare measures.
8. Training and skill development are insufficient in many SSIs, resulting in lower workforce productivity and reduced organizational competitiveness.
9. Digital marketing capability represents the most significant marketing challenge. A large proportion of enterprises lack websites, social media marketing strategies, e-commerce platforms, and digital promotional activities.
10. Market intelligence and branding deficiencies reduce market expansion opportunities and weaken competitive positioning in both domestic and international markets.
11. Human resource and marketing challenges are strongly interconnected, indicating that improvements in workforce capability directly contribute to better marketing performance.
12. Significant differences exist among industrial clusters, with Anantapur and Kurnool experiencing relatively higher operational challenges than Visakhapatnam and Vijayawada–Guntur.
13. Regression analysis confirms that training gaps, market intelligence deficiencies, digital marketing limitations, and employee attrition significantly reduce business performance, whereas owner education and larger firm size positively influence organizational success.

6. Recommendations

Based on the empirical findings, the following recommendations are proposed.

6.1 Government-Level Recommendations

The Government of Andhra Pradesh should strengthen MSME development policies by:

- Expanding skill development programmes aligned with industry requirements.
- Providing financial assistance for employee training and digital transformation.
- Offering subsidies for digital marketing, e-commerce adoption, and technology modernization.
- Simplifying procedures for accessing MSME support schemes.
- Establishing cluster-based common training and business support centres.

These initiatives can improve the long-term competitiveness and sustainability of SSIs.

6.2 Institutional Recommendations

Educational institutions, industry associations, and MSME development agencies should collaborate to:

- Conduct regular entrepreneurship and management development programmes.
- Develop industry-oriented training curricula.
- Strengthen industry-academia partnerships.
- Establish Digital Marketing Incubation Centres.
- Provide consultancy support for branding, export promotion, and business development.

Such collaborative initiatives can bridge the gap between industrial requirements and workforce capabilities.

6.3 Firm-Level Recommendations

SSI owner-managers should adopt strategic initiatives including:

- Continuous employee training and multi-skilling.
- Employee retention programmes.
- Participative leadership practices.
- Competitive employee value propositions.
- Gradual adoption of digital marketing technologies.
- Development of websites and social media presence.
- Participation in e-commerce platforms.
- Collaborative branding among enterprises within industrial clusters.
- Market intelligence systems for monitoring customer preferences and competitor activities.

These measures can substantially improve organizational performance and market competitiveness.

7. Conclusion

Small-scale industries continue to play an indispensable role in employment generation, industrial development, and regional economic growth in Andhra Pradesh. However, persistent human resource and marketing challenges significantly constrain their ability to compete in an increasingly dynamic business environment.

The study demonstrates that shortages of skilled labour, employee attrition, inadequate training, weak digital marketing capabilities, poor market intelligence, and limited branding collectively reduce organizational performance. The strong positive relationship between HR and marketing challenges highlights the need for integrated managerial strategies rather than isolated interventions.

The findings emphasize that sustainable development of the SSI sector requires coordinated efforts from government agencies, educational institutions, industry associations, and enterprise owners. Investments in human capital development, digital transformation, innovation, and market-oriented business practices will substantially improve productivity and competitiveness.

Overall, the study contributes to the growing body of knowledge on small-scale industries by providing an integrated empirical framework for understanding HR and marketing challenges within the context of Andhra Pradesh. The findings also offer practical guidance for policymakers and business practitioners seeking to strengthen the long-term sustainability of the MSME sector.

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