

# An Impact Of Promotional Strategies On Sales Of MSME's

Dr. V. Karthihai Selvi\*  
Dr. J. Vimal Priyan\*\*

## Key Words:

1. MSME
2. Promotional Strategies
3. Personal Selling

## Abstract

The contribution of the MSMEs is very much important in the economic development of a country. Next to agriculture, the MSMEs play an important role in employment generation. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth and leads to inclusive growth. MSMEs are complementary to large industries as ancillary units and contribute enormously to the industrial growth of the country. Fast changing economic scenario due to globalization has thrown up various opportunities and challenges to the MSMEs. While on one hand, many opportunities are opened up for this sector to enhance productivity and look for new markets at national and international levels, it has also, on the other hand, specific obligations are imposed on it to upgrade their competencies to meet the competition from global players.

## INTRODUCTION

The Micro, Small and Medium Enterprises (MSMEs) sector has been recognized as engine of growth all over the world as it promotes equitable development. The contribution of the MSMEs is very much important in the economic development of a country. Next to agriculture, the MSMEs play an important role in employment generation. Specifically, the contribution of those enterprises is remarkable in providing employment in the industrial segments ranging from the traditional rural handicrafts to upgraded technologies and bio-technology oriented industrial units. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth and leads to inclusive growth.

In the recent years, further to the provision of more employment opportunities, the production of goods and

services by MSMEs has also increased considerably. MSMEs are complementary to large industries as ancillary units and contribute enormously to the industrial growth of the country. Fast changing economic scenario due to globalization has thrown up various opportunities and challenges to the MSMEs. While on one hand, many opportunities are opened up for this sector to enhance productivity and look for new markets at national and international levels, it has also, on the other hand, specific obligations are imposed on it to upgrade their competencies to meet the competition from global players. New products are launched and are available at an astonishing pace worldwide in short time by international players.

Marketing is a total system of business activities that are designed to plan, price, promote and distribute want satisfying products and services to target markets in order to achieve organizational objectives. It would be difficult to imagine a world without marketing. But it may be equally difficult to appreciate the importance of effective marketing plays in many aspects of our lives. An efficient marketing and distribution network is considered to be an important aspect of small enterprises development. Without good marketing, the technically brilliant product can become yet another commercial white elephant.

The principal goal of every commercial organization is to increase the sales. Thus any activity towards increasing sales may be called promotional activity. Promotional decisions are made simultaneously with other marketing

\* Assistant Professor of Commerce, SFR College for Women, Sivakasi and can be reached  
selvikarthi85@gmail.com

\*\*Assistant Professor of Commerce, Dr. M.G.R. College of Arts and Science, Hosur. and can be reached at  
vimaluge@yahoo.com



mix decisions. They involve finding target markets, determining objectives and tasks, budgeting for promotion, selecting promotional media, evaluating promotional effectiveness and controlling the promotion elements. The marketing manager is concerned with the effective utilization of the promotion mix, together with other kinds of marketing mix.

The measurement of effectiveness becomes inevitable because it evaluates the alternative strategies, avoids costly mistakes and helps to achieve higher targets of the companies only consuming fewer resources. The marketers must be sufficiently satisfied with the desired results from the marketing practices adopted. The extent of effectiveness of the strategies varies according to the timing, way, magnitude and content of the strategies of the industrial undertakings. Some of the companies put forth different reasons for not measuring effectiveness like high cost involved, tougher research methodology, disagreement as to what, when and where to test. Hence an attempt is made to analyse the level of increase in sales due to the adoption of promotion strategies.

## OBJECTIVES OF THE STUDY

The objective of the present study is to analyse the impact of promotional strategies adopted by MSMEs on their sales.

## METHODOLOGY

The study is descriptive based on both the primary and secondary data. The research problem and the interview schedule all have been formulated and framed accordingly. The study uses both primary and secondary data for the purpose of analysis.

### Secondary Data

The secondary data were collected from standard text books related to topic, leading journals, published reports and booklets, documents and records of the Government departments and the internet.

### Primary Data

The primary data was gathered through the interview schedule. A number of discussions were held with knowledgeable persons such as academicians, industrialists, office bearers of District Industries Centre for designing the interview schedule.

## SAMPLING DESIGN

The researcher has adopted a stratified sampling technique. The sampling was made in two dimensions, namely, size of enterprise and block. As the population of Micro, Small and Medium enterprises in Virudhunagar

district differed significantly, different percentage of samples were taken. A sample of 414 units was decided upon, which is 2 per cent of 16,655 (333) Micro enterprises, 20 per cent of 360 (72) Small enterprises and all the 9 units of Medium enterprises.

The number of Micro, Small enterprises in each block of the district is highly varying among different blocks. For the study, the samples were taken from the blocks with more than 1000 units. Hence, the blocks namely, Aruppukottai, Rajapalayam, Sattur, Sivakasi, Srivilliputhur and Virudhunagar were taken for the survey. From each block, samples were selected proportionately.

## Area of the Study

The area of the study is limited to the Virudhunagar district of Tamilnadu. It has eleven blocks namely Aruppukottai, Kariapatti, Narikudi, Rajapalayam, Sattur, Sivakasi, Srivilliputhur, Tiruchuli, Vembakottai, Virudhunagar and Watrap.

## Tools of Analysis

Most of the analysis was based on the responses shown in the form of frequency tables. Firstly, simple tables were prepared for understanding the general profile of the respondents and

simple statistical techniques such as percentages, mean and weighted mean were used for analysing the data and finding differences in the responses. Likert scale was used to analyse the opinion of the respondents.

## Profile of samples studied

The basic facts about the formation, working and nature of venture undertaken by the sample enterprises are highly useful to understand the characteristic features of them.

## Industrial Vocation

Industrial vocation refers to the nature of work undertaken by the industries. The study classified the industrial vocation under three heads, namely, (i) Manufacturing, (ii) Processing and (iii) Assembling. Manufacturing refers to the process of converting the raw material into finished goods. Processing refers to the conversion of the material / semi-finished goods from one form to another. Assembling refers to the process of fitting together the various parts of the product and making a complete product. The survey data showed that out of 414 units studied, a significant majority of respondents, 336 in number, accounting for 81.16 per cent, were engaged in manufacturing, followed by 60 respondents (14.49 per cent) undertook processing and the remaining 18 respondents (4.35 per cent) were engaged in assembling. Table 1 gives the industrial vocation of study



Table 1 : Industrial Vocation

Sl. No	Industrial Vocation	Number of Units	Percentag to total
1.	Manufacturing	336	81.16
2.	Processing	60	14.49
3.	Assembling	18	4.35
	Total	414	100 0

Source: Primary data.

units.

It is inferred from the table 1 , that a significant majority of 81.16 per cent of the MSMEs in Virudhunagar district undertake manufacturing activities.

#### Age of the Units

Age of the unit is useful to know the number of years of contribution of an industrial unit to the growth of an economy. It is the primary factor that speaks about the consistency of its contribution and the acceptability of its offerings by the consumers. The study examined the age of the units under eight heads, namely, (i) upto five years, (ii) 6 to 10 years, (iii) 11 to 15 years, (iv) 16 to 20 years, (v) 21 to 25 years, (vi) 26 to 30 years, (vii) 31 to 35 years and (viii) above 35 years. The scrutiny of the data collected revealed that out of 414 sample MSMEs, 26 respondents, representing 6.3 per cent, had history of over 35 years, followed by 29 respondents (7 per cent) enjoyed the life span of 31 to 35 years, 38 respondents (9.2 per cent) had the life span of 26 to 30 years and so on. Table 2 exhibits the classification of MSMEs on the basis of their age

A clear inference of the table 2 is that a majority of 70.2 per cent (13.0+ 29.2+ 17.9+ 10.1) of the respondents in Virudhunagar district have the life span of less than 20 years.

Form of organization of an industrial unit influences the performance of various activities like the time needed for formation, easiness in raising funds for formation and expansion, efficiency of decision making and speed of decision making. Over the years, when the level of activities of small scale industrial units increases, they change the form of organisation from sole proprietorship or partnership to private limited company.

The study enquired into the form of organization at the time of commencement and as on date under four heads, namely, (i) sole proprietorship, (ii) partnership, (iii) private

limited company and (iv) co-operative society. The survey data disclosed that at the time of commencement of their business, out of 414 sample MSMEs, a majority of 229 MSMEs, representing 55.3 per cent, were under sole proprietorship, followed by 181 MSMEs (43.7 per cent) under partnership and the remaining four MSMEs, representing one percentage, under private limited company. The examination of data also revealed that out of 414 MSMEs studied, a majority of 250 MSMEs, representing 60.4 per cent, were under partnership at present, followed by 140 MSMEs, representing 33.8 per cent, were under sole proprietorship and the remaining 24 units, representing 5.8 per cent, were under private limited company. The table furnished below shows the form of organization of sample units.

It is clear from the table 3 that a majority of 55.3 per cent of the MSMEs are sole proprietorship concern at the time of commencement whereas as on date, a majority of 60.4 per cent of the respondents are partnership firm.

#### Mode of Acquisition

Usually a business firm is acquired in any of the ways such as (i) on lease, (ii) outright purchase, (iii) inheritance and (iv) started afresh. The investigation of mode of acquiring the Micro, Small and Medium Units revealed that among 414 sample MSMEs, a majority of 233 MSMEs (56.3 per cent) were started afresh, followed by 121 MSMEs (29.2 per cent) were taken on lease and 23 MSMEs (5.6 per cent) were acquired through outright purchase by the present owners. The fact, that 37 MSMEs (8.9 per cent) were inherited shows that the life of MSMEs had continued quite astonishingly enough from one generation to another. The table 4 discloses the particulars of mode of acquisition of sample units.

It is understood from the table 4 that the two significant modes of acquiring MSMEs are newly started (56.3 per cent) and taken on lease (29.2 per cent).



Table 2 : Agewise Classification of Sample Units

Sl. No	Age group	Number of Units	Percentage to total
1.	Up to 5 years	54	13.0
2.	6 to 10 years	121	29.2
3.	11 to 15 years	74	17.9
4.	16 to 20 years	42	10.1
5.	21 to 25 years	30	7.2
6.	26 to 30 years	38	9.2
7.	31 to 35 years	29	7.0
8.	above 35 years	26	6.3
	Total	414	100.0

Source: Primary data

Table 3 : Organization Pattern of MSMEs

Sl. No	Type of Ownership	At the time of Commencement		As on date	
		Number of Units	Percentage to total	Number of Units	Percentage to total
1.	Sole Proprietorship	229	55.3	140	33.8
2.	Partnership	181	43.7	250	60.4
3.	Cooperative society	---	---	---	---
4.	Private Limited Company	4	1.0	24	5.8
	Total	414	100.0	414	100.0

Source: Primary data.

Table 4 : mode Of Acquisition Of Sample Units

Sl. No	Mode of Acquisition	Number of Units	Percentage to total
1.	Taken on lease	121	29.2
2.	Outright purchase	23	5.6
3.	Inherited	37	8.9
4.	Newly started	233	56.3
	Total	414	100.0

Source: Primary data.

Table 5 : Practice Of Advertising

Sl. No	Advertising	Number of units	Percentage of total
1.	Yes	213	51.45
2.	No	201	48.55
Total		414	100.00

Source: Primary data.

### Impact of Promotional Strategies on Sales of MSME's

The promotion mix includes three major activities, namely, i) advertising, ii) personal selling and iii) sales promotion. Promotion is responsible for awakening and stimulating consumer demand for a product. It is persuasive communication which informs potential customers of the existence of products, persuades and convinces them that the products have want satisfying capabilities. All marketing communications or forms of promotion aim at influencing consumer attitudes, beliefs, values and preferences, life styles and way of living. The promotion is used to achieve the objectives of promotion, which are information, persuasion and reminding.

#### Advertising

Advertising is an integral part of promotion campaign for effective communication between producers and consumers. In other words, the ultimate goal underlying all advertising is increased awareness. Advertisement enables the consumers to know which types of products are available and when and from where to buy them. An advertiser has to decide and plan how, where, and when to use the weapon of advertisement.

The study throws light on the practice of advertising by MSMEs. The analysis of the survey data revealed that out of 414 MSMEs, an appreciable number standing for 213 units (51.45 per cent) used advertising as a tool in their marketing programme and the remaining 201 units (48.55 per cent) did not use advertising. Table 5 exhibits the use of advertisement by the study units.

Table 5 unveils that a majority of 51.45 per cent of MSMEs in Virudhunagar district undertake advertising activity.

#### Impact of Advertising

During the enquiry, an attempt was made to analyse whether advertising helped the MSMEs or not and in what way. The study uncovered the effectiveness of advertising in terms of i) increase the awareness of the product, ii) increase in company image and iii) increase in sales of the

product. Among 213 units which did advertising, (45+13) 58 units accounting for 27.23 per cent affirmed that advertising increased the awareness of the product, followed by 114 units (53.52 per cent) affirmed that the company image was increased and 78 units (36.62 per cent) affirmed that the sales was increased due to advertising. Table 6 shows the distribution of responses of 213 units relating to the benefits derived through advertising.

It is inferred from table 6 that the respondents are dissatisfied with the advertising for the reason that the advertising has not resulted in increase in sales (35.68 per cent). It is also revealed that the significant portion of respondents is satisfied (47.42 per cent) with the advertising for the benefit of increase in company image.

To measure the level of satisfaction towards the effectiveness of advertising, the weights were assigned as 2,1,0,-1 and -2 for the five point level of satisfaction 'Highly Satisfied', 'Satisfied', 'No Opinion', 'Dissatisfied' and 'Highly Dissatisfied' respectively. Then weight points for each statement was obtained by multiplying the number of respondents mentioned a level with the weight of respective level. To illustrate, first the number of respondents mentioned the particular level of satisfaction towards the effectiveness of advertising in various aspects, namely, increase in product awareness, increase in company image and increase in sales was found as shown in table 6.7. The weighted points with reference to 'increase in product awareness' for 'Highly satisfied' was worked out to 26 points (13\*2), for 'Satisfied' as 45 (45\*1), for 'No opinion' as 0 points (144\*0) and for 'Dissatisfied' as 24 (12\*2) and for 'Very low' as -11 (11\*-1).

Then the sum of weighted points for each level of satisfaction towards the effectiveness of advertising was found by adding the weighted points for all the five levels. In the above illustration, the total points were worked out to 60 points (26+45+0-11). Then the weighted average score was found out by dividing the total points by the number of respondents. In the above illustration the weighted average



score for increase in product awareness was found to be 0.282 (60/213).

The analysis disclosed that the weighted average score for increase in company image, increase in product awareness and increase in sales were 0.361, 0.282 and -0.197 points respectively. Table 7 furnishes the weighted average score for effectiveness of advertising.

From the table 7, it is inferred that the advertising has increased the company image (0.361 points) and product awareness (0.282 points).

### Personal Selling

Personal selling or salesmanship is an important

component of promotion. It is highly distinctive and the only form of promotion involving face to face relationship between a salesperson and one or more prospective customers. If advertisement generates demand and induces people to buy the goods, salesmanship is employed to convert that demand into a sales. The personal selling aims at bringing the right products into contact with the right customer and making certain that the transfer of ownership takes place.

The survey revealed that out of 414 sample units, only for 53 units, representing 24.88 per cent, personal selling constituted as one of the factors in their marketing mix. The rest of the 361 units (87.2 per cent) did not depend on the

Table 6 Impact Of Advertising

Sl. No	Particulars	HS	S	NO	DS	HDS	Total
1.	Increase in product awareness	13 (6.10)	45 (21.13)	144 (67.61)	11 (5.16)	-	213 (100)
2.	Increase in company image	13 (6.10)	101 (47.42)	52 (24.59)	44 (20.66)	3 (1.41)	213 (100)
3.	Increase in sales	26 (12.21)	52 (24.41)	24 (11.27)	76 (35.68)	35 (16.43)	213 (100)

Note: Figures in parenthesis indicate percentages to row total.

HS – Highly Satisfied, S – Satisfied, NO – No opinion, DS – Dissatisfied, HDS – Highly Dissatisfied

Source: Primary data

Table 7 Weighted Average Score For Impact Of Advertising

Sl. No	Particulars	HS (2)	S (1)	NO (0)	DS (-1)	HDS (-2)	Total Score	Average Score	Rank
1.	Increase in product awareness	26	45	0	-11	-	60	0.282	II
2.	Increase in company image	26	101	0	-44	-6	77	0.361	I
3.	Increase in sales	52	52	0	-76	-70	-42	-0.197	III

Note: HS – Highly Satisfied, S – Satisfied, NO – No opinion, DS – Dissatisfied, HDS – Highly Dissatisfied

Source: Primary data.



Table 8 : Msmes' Employment Of Sales Force

Sl. No	Personal selling	Number of units	Percentage of total
1.	Yes	53	24.88
2.	No	361	87.20
Total		414	100.00

Source: Primary data.

Table 9 : Impact Of Personal Selling

Sl. No	Particulars	HS	S	NO	DS	HDS	Total
1.	Understanding buyers' needs	5 (9.43)	44 (83.02)	4 (7.55)	-	-	53 (100)
2.	Collection of bills from customers	16 (7.55)	8 (15.09)	16 (30.19)	12 (22.64)	1 (1.89)	53 (100)
3.	Dealing with complaints	12 (22.64)	17 (32.08)	12 (22.64)	12 (22.64)	-	53 (100)
4.	Obtain new customers	-	44 (83.02)	5 (9.43)	4 (7.55)	-	53 (100)
5.	Improve company image	8 (15.09)	24 (45.28)	12 (22.54)	9 (16.98)	-	53 (100)

Note: Figures in parenthesis indicate percentages to the row total.

Source: Primary data.

personal selling. The employment of the salesmen by the sample MSMEs is shown in table 8.

From table 8, it is lucid that the concept of personal selling is used by a small portion of MSMEs (24.88 per cent) in Virudhunagar district.

### Impact of Personal Selling

The study explored the effectiveness of personal selling in the view point of i) understanding buyers' needs, ii) collection of bills from the customers, iii) dealing with complaints of the customers, iv) obtain new customers and v) improve company image. Among 53 units which used personal selling, a higher proportion of (9.43+83.02) 92.45 per cent of the units declared positively that personal selling helped in understanding the buyers' needs, 22.64 per cent of the units affirmed that personal selling helped in collecting bills from customers easily, 54.72 per cent of the units acknowledged that personal selling helped in dealing

with consumers' complaints, 83.02 per cent of the units affirmed that personal selling helped in obtaining new customers and 60.37 per cent of the units acknowledged that personal selling helped in improving the company image. Table 9 highlights the benefits of personal selling to the sample MSMEs.

Table 9 brings to lime light that the respondents are satisfied with the personal selling for three benefits, namely, understanding the buyers' needs (83.02 per cent), obtain new customers (83.02 per cent) and Improve company image (45.28 per cent).

From table 9, the researcher allotted weights as similar to the effectiveness of advertising (section 6.5.1 of this chapter). The weighted average score for understanding buyers' needs, collection of bills from customers, dealing with complaints, obtain new customers and Improve company image was 1.019, 0.755, 0.585, 0.547 and 0.491

points respectively and is shown in table 10.

From table 10, it is inferred that the personal selling is more effective for understanding the buyers' needs (1.019 points), obtaining new customers (0.755 points) and improving the company image (0.585 points).

### Sales Promotion

Sales promotion has been the fastest growing segment of the promotion mix and a major factor in the success of marketers during the turbulent economic times of the past decade. Sales promotion activities are complementary to advertising and personal selling. Their purpose is as their name suggests to 'promote sales'.

An analysis of the survey data showed that out of 414 units, only 165 MSMEs, accounting for 39.86 per cent used sales promotion programmes and the remaining 249 MSMEs (60.14 per cent) did not use promotional programmes. Table 11 portrays the sample MSMEs' use of sales promotion

programme.

Table 11 makes it clear that a majority of 60.14 per cent of MSMEs in Virudhunagar district have not adopted sales promotional methods.

### Impact of Sales Promotion

The study explored the effectiveness of sales promotion from the viewpoints of i) increasing the sales, ii) improving the company image and iii) obtaining new customers. Among 165 units which used sales promotion as their promotional strategy, a higher proportion of (39.39+50.91) 90.30 per cent of the units told that sales promotional strategies helped in increasing the sales of the product, 70.91 per cent of the units affirmed that sales promotion increased the company image and 72.72 per cent of the units acknowledged that sales promotion helped in obtaining new customers. Table 12 highlights the benefits

Table 10 : Weighted Average Score For Impact Of Personal Selling

Sl. No	Particulars	HS (2)	S (1)	NO (0)	DS (-1)	HDS (-2)	Total Score	Average Score	Rank
1.	Understanding buyers' needs	10	44	0	-	-	54	1.019	I
2.	Collection of bills from customers	32	8	0	-12	-2	26	0.491	V
3	Dealing with complaints	24	17	0	-12	-	29	0.547	IV
4	Obtain new customers	-	44	0	-4	-	40	0.755	II
5	Improve company image	16	24	0	-9	-	31	0.585	III

Note: HS – Highly Satisfied, S – Satisfied, NO – No opinion, DS – Dissatisfied, HDS – Highly Dissatisfied  
Source: Computed data.

Table 11 : Sample Units' Adoption Of Sales Promotion Programmes

Sl. No	Sales Promotion	Number of Units	Percentage of total
1.	Adopted	165	39.86
2.	No t adopted	249	60.14
Total		414	100.0

Source: Primary data.





Table 12 : Impact of Sales Promotion

Sl. No	Particulars	HS	S	NO	DS	HDS	Total
1.	Increasing the sales	65 (39.39)	84 (50.91)	2 (1.21)	12 (7.27)	2 (1.2)	165 (100)
2.	Improving the company image	53 (32.12)	64 (38.79)	10 (6.06)	12 (7.27)	26 (15.76)	165 (100)
3.	Obtaining new customers	14 (8.48)	106 (64.24)	3 (1.82)	14 (8.48)	28 (16.97)	165 (100)

Note: Figures in parenthesis indicate percentages to the row total.

HS – Highly Satisfied, S – Satisfied, NO – No opinion, DS – Dissatisfied, HDS – Highly Dissatisfied.

Source: Primary data.

Table 13 : Weighted Average Score For Impact Of Sales Promotion

Sl. No	Particulars	HS (2)	S (1)	NO (0)	DS (-1)	HDS (-2)	Total Score	Average Score	Rank
1.	Increasing the sales	130	84	0	-12	-4	198	1.500	I
2.	Improving the company image	106	64	0	-12	-52	106	0.642	II
3.	Obtaining new customers	28	106	0	-14	-56	64	0.389	III

Note: HS – Highly Satisfied, S – Satisfied, NO – No Opinion, DS – Dissatisfied, HDS – Highly Dissatisfied

Source: Computed data.

of sales promotion to the sample MSMEs.

It is inferred from table 12 that the respondents are satisfied with the sales promotion for all the three benefits, namely, obtaining new customers (64.24 per cent), increasing the sales (50.91 per cent) and improving the company image (38.79 per cent).

From table 12, the researcher allotted weights as similar to the effectiveness of advertising (section 6.5.1 of this chapter). The analysis of the data revealed that the weighted average score for increasing the sales, improving the company image and obtaining new customers was 1.50, 0.642 and 0.389 points respectively. Table 13 furnishes the weighted average score for effectiveness of sales promotion.

From table 13, it is inferred that the sales promotion is more effective for increasing the sales (1.50 points) and improving the company image (0.642 points).

## SUGGESTIONS

Based on the information collected during preliminary survey and views of the MSMEs, the researcher identified the following suggestions for the success of MSMEs.

1. The advertising and other sales promotional programmes are not adopted by the more number of MSMEs due to high cost involved in it. Hence, joint advertising with association and members at mass level will enable MSMEs to bring information on their products to more people at least cost.
2. Personal selling is the best way for promoting the sales provided, if the salesman is the efficient person. Training to the salesmen would increase their performance. Thus, provision of formal training to salesmen will increase the sales of the products of MSMEs.
3. Most of the MSMEs spend very meagre amount for promotional activities. Importance of using promotional



programmes are not known to them. Administration of more sales promotional activities would enable MSMEs to influence customers more to buy their products.

## CONCLUSION

In India, MSMEs play a pivotal role in the development of industrial economy of the country. In recent years, the sickness of MSMEs is found to be largely on account of lack of demand, marketing problems and shortage of working capital. MSMEs in India suffer from various marketing problems in performing activities relating to all the four Ps of marketing mix. It is clear that advertising helps to create the product awareness. Personal selling is more effective for understanding the buyers' needs obtaining new customers and improving the company image. Sales promotion is more effective for increasing the sales and improving the company image. A majority of study units undertake advertising and sales promotion to increase the sales of their product. Thus, getting success in this competitive era by MSMEs need to undergo a paradigm shift in their marketing practices, by adopting innovative sales promotional strategies.

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