

An Analytical Study on Growth And Performance of Micro Small And Medium Enterprises

Mr.Harish Tigari ^{M.Com.,PGDMM.,D.Ed¹}, Ms.Priyanka Joshi.^{B.Com.²}
^{1,2}Dept of Commerce
^{1,2}Davangere University,577002

Abstract- When any person wants to become self-employed and want to become an entrepreneur then the concept of small business arise, then that will motivates to the incorporate a new industry or an enterprise. These MSMEs play a pivotal role in providing employment opportunities for the local or rural people. When the people become self-employed and their Per-capita income will increase that will indirectly help to increase GDP. According to a recent statistics, the contribution of MSMEs is 49% towards India's total exports; this will be envisaged that the MSMEs are growing. The study is made with the objective of analyzing the growth and performance of Micro Small and Medium Enterprises in industrial estate. The research design consists of both primary and secondary data which is collected by different sources and structured questionnaire. The government is providing and promoting various schemes and programs for the development of MSMEs. But, youths and educated unemployed are not making use of it. If governments identify such persons and promote them to start a new venture then definitely the Indian MSMEs become dominant in the world and can become a developed country.

Keywords- MSMEs, Employment, Government, Investment

I. INTRODUCTION

The economic development of every country includes each and every activity of that country that is the primary sector, secondary sector, and tertiary sector. The primary sector includes agriculture, the secondary sector includes industries and the tertiary sector includes service sector. These three sectors play a vital role in the economic development of a country. Among these sectors, the secondary sectors that are the industries acquire the prime position because industries produce the goods and that will fulfill the needs and wants of the people. In a developing country like India where there is a large population and there will be a need for a large number of industries which fulfill the demand of the people. Although the industries generate employment opportunity for people. The starting up a new manufacturing industry or service industry would create a platform for the emergence of entrepreneurial activity. In India, one can see the industrialization since British rule itself. After the

independence also there had been a tremendous change in the secondary sector. After the implementation of new economic policy in India later also industrial sector has been growing in an upward trend but along with that the home or cottage industries, small-scale industries are disappearing day by day in India. The reason behind is that the use of outdated technology in those industries and also competition from the large-scale industries. To retain, protect and promote the small scale industries in India the central and state governments have taken initiative through various schemes and programmes. But in India, in this modern era also most of the persons one who want to start their industries are unaware of these facilities. If the Indian small scale industries use the updated technology then that can also be retained in India.

II. REVIEW OF LITERATURE

(Prasad.L, 1983) He propagated that SSI plays a vital role in economic development of a nation. If these enterprises are developed effectively, can solve the problem of large-scale and unemployment and can raise the income and standard of living of low-income people which could help in reducing disparities in regional development.

(M.R.Narayana, 2004) The study so conducted reveals the low quality and high transport facilities, power, water supply, lack of market information; inadequate credit facility and low technology definitely hinder the competitiveness of SSI.

(Sudan.F.K, 2005) He described the challenges in MSMEs development and policy issues by arising different question to MSMEs. The study explained the meaning, advantages, problems and policy options of MSMEs sector. The study concluded that all the policies which were opted by Govt. of India were the efforts to form a dynamicMSME sector.

(Harpreet Singh and Manish Bansal,2013) They explored the problems as well as prospects in relation to its response to seasonal fluctuations in terms of productivity, profitability on food processing industry. They concluded that the industry suffers from the lack of marketing strategies, seasonal fluctuations, and performance of products.

(Prof.M.Chandriah and R.Vani, 2014) MSMEs sector faced key challenges like as lack of availability of adequate and timely credit, the high cost of credit, collateral requirements, limited access to equity capital, low technology levels, including power etc.

(Sudhansu sekharanda, 2016) The MSMEs contribute to economic development in various ways such as providing goods and services at affordable costs by offering an innovative solution and sustainable development of the economy as a whole.

(Chaitra.S.Hiremath and Dr.A.L.Malliga, 2016) It is evident from the research conducted that the overall performance and growth of the MSME is appreciable, but the fact cannot be ignored that most of the MSMEs still are suffering from the deficiencies. The MSMEs should work towards the better performance by understanding the problems and overcome it.

(Shibakalyan, 2016) The MSME can encourage the entrepreneurs by the mean of finding, raw material assistance and low-interest rate under the MSME funds but the biggest challenge is the market where the competition and faithful manpower support is the most essential, which is playing a vital role nowadays.

III. OBJECTIVES OF THE STUDY

- To know the contribution of MSMEs towards country’s development directly and indirectly.
- To know the Growth and performance of MSMEs in Harihara industrial estate.

IV. METHODOLOGY

The research has been conducted both on primary data and secondary data. The sampling has been collected by using judgment sampling. The sources required for the study are collected by referring various websites, journals, textbooks relating to small-scale industries and industrial estates, hypotheses have been made which shows the relationship between variables, statistical reports published by Central Statistics Office (CSO), reports published by Ministry of Micro, Small and Medium Enterprises (MSMEs).

V. HYPOTHESES FOR THE STUDY

The relationship between Number of units, employment, and investment

H₁: There is a correlation between entrepreneur memorandum and employment.

H₀: There is no correlation between entrepreneur memorandum and employment.

H₁: There is a correlation between employment and investment.

H₀: There is no correlation between employment and investments.

Table-1

Year wise trend of units registered under MSME			
Year	No.of units	Employment	Investement
2005-06	334	1146	356
2006-07	324	998	441
2007-08	354	1540	830
2008-09	401	1379	1414
2009-10	441	1508	1386
2010-11	480	1869	3167
2011-12	526	2017	1416
2012-13	531	2124	3186
2013-14	585	2474	3064
2014-15	644	2393	3207
2015-16	1666	14117	32839

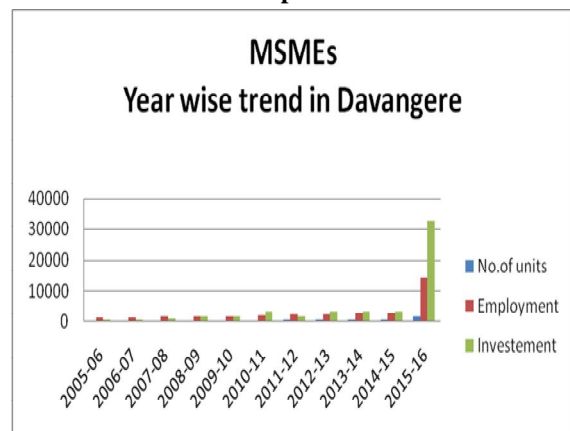
Source:-Davangere industrial profile: Davangere. Ministry of MSME, Annual report

Table-2 Correlation analysis representing the relationship between the variables

Hypotheses	'r' values	Result
Entrepreneurs' memorandum and Employment	0.987161	Very strong positive
Employment and Investment	0.997988	Very strong positive

Source: Authors calculation

Graph-1.1



Entrepreneurs' memorandum and employment: From the correlation analysis which is showing very strong positive. In

the first case, there is definitely a relationship between the number of units and employment. It is clear that when the number of industries goes on increasing then it will hire more and more employees and provide employment opportunities there is a major change in employment from the one-year to another year.

Investment and employment: In another case where there is a close relationship between investment and employment. The reason behind is that when there is an investment is made to start a new industry and as well as for expansion of business also. Therefore, in both the cases, the employment opportunities are provided.

With the help of above analysis, one can see the development in the industrial sector. It is a good thing that people are becoming employed through industries. If the people of the country become employed and that leads to eradication of poverty as well as the per-capita income will also increase. That will leads to the development of a country.

VI. SCOPE OF THE STUDY

The study has been made by generalizing the Growth and performance of MSMEs in Harihara location to India. Therefore, The research was conducted in the industrial estate of Harihara in the Davangere district. The research will cover almost all the small, medium and micro enterprises located in this industrial estate.

VII. NEED FOR THE STUDY

The need for this research study is to know about the growth and performance of MSMEs in the Industrial estate. The MSMEs plays a vital role in providing employment opportunities and it creates a platform for the persons who want to start their own small industry on a small scale. Therefore, this study makes an attempt to know the importance of MSMEs in the economic development of a country. The main purpose of this research is to know the position of MSMEs in terms of investment, profit and which the problems they are facing are and to know the technological advancement in MSMEs.

VIII. LIMITATIONS OF THE STUDY

- 1) The researcher has less time to complete the task.
- 2) The present study is restricted to Harihara region only.

IX. CONCEPTUAL FRAMEWORK

Table-1 Definition of MSMEs according to MSMED act of 2006

Enterprises	Manufacturing sector	Service sector
	Investment in plant and machinery	Investment in equipments
Micro Enterprises	Does not exceed twenty five lakh rupees	Does not exceed ten lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	Five crore to ten crore	More than two crore rupees but does not exceed five crore rupees

Source: MSME Development Act 2006, Ministry of the District Industry Centers (DIC) MSME, Government of India.

Table-2 Showing frequencies of problems

Problems faced while starting industry	Frequency
Capital	06
Raw materials	02
Employees	04
Machinery/equipment	08
Marketing	04
Power	04
Land and building	06

Source:- Field survey

Table -3 Table showing frequencies of money spent

Money spent among the followings	Classification	Frequency
Land and building	Between 1 to 10 lakh	14
	Between 10 to 20 lakh	04
	Between 20 to 30 lakh	02
Machinery	Between 1 to 30 lakh	12
	Between 31 to 40 lakh	02
	Between 41 to 50 lakh	02
Raw materials	Between 1 to 5 lakh	12
	Between 5 to 10 lakh	04
Power	Between 50 thousand to 1 lakh	12
	Between 1 lakh to 5 lakh	08
Other expenses	Between 5000 to 1 lakh	14
	Between 1 lakh to 10 lakh	02
	Between 10 to 25 lakh	04

Source: Field survey

Problems of MSMEs: From the above table and graph one can easily interpret that major industrial owners have faced the problem of machinery and further followed by capital and land & building. One can say that while starting any industry acquiring machinery is a difficult task even though the capital is acquired. As, if any industry located in the industrial estate will enjoy many benefits, therefore, acquiring land for starting an industry in that estate had become a problem for them

while starting their industry. And we know that capital is the lifeblood of every business so it is a common problem for every business.

Investments on factors of production: From the above graph it is clear that the industries spent much amount on land and building i.e., between 1 to 10 lakh. Whereas on machinery they spent moderate amount and more on power which is an important factor for an industry. We knew that finance is the life-blood of every business, therefore, for starting a business for each and every activity of business the money has to be spent. In the small-scale industries the money spent on other expenses is comparatively very much less because these industries run on a small scale and maintenance of computer systems, stationary items and furniture etc. are not much required.

Table-4

Table showing frequencies of type of plant/machinery

Type of plant/machinery	Frequency
First hand	06
Second hand	02
Both	16
Parts purchased and assembled	02

Source: Field survey

Plant and Machinery: From the above-mentioned table and graph, it depicts that most of the industries are using both first hand and second-hand machinery and components. In that, some industries are using only first hand and they will purchase and assembled. It is a good thing that only some industries are using the first-hand machinery. If these industries use the second-hand machinery it will bear more depreciation cost and production process requires more time and these results in the decrease in growth and performance of MSMEs.

The rationale for MSMEs:

(1) Entrepreneurship: The of the industries are educated and they have a thorough technical knowledge regarding machinery, it's working. Due to their educational qualification, it leads to the establishment of small-scale industries. As to become an entrepreneur, sometimes education is required but in some situations, an educated person becomes unemployed i.e. underemployment. This creates such a situation that lead to starting an entrepreneurial activity to lead their livelihood also an entrepreneur emerges. Collectively, workers of one industry become owners of their own industry. i.e., Employees converted as Intrapreneur.

(2) Employment: The owners of the industries have created a path for generation of employment. They have created

employment opportunities for local people who have lost their jobs in Kirloskar Company. Many unemployed people become employed due to starting of the industries in industrial estates.

(3) Nature of business: Some of the industries are established as a sole proprietorship and some of them are partnership firm. If two or more persons have the same knowledge about a particular thing or field then that will lead to starting a new venture. In case of sole proprietorship also as an individual, a person starts an industry which is fully owned by him or her, here also some unemployed workers of Kirloskar Company have started their own industry to provide employment opportunities for local people.

(4) The growth of industries: The growth of any industry is measured in terms investment, profit. Therefore, these industries are growing but not at a faster rate due to many reasons. The reasons behind are that the use of second-hand machines and problems facing these industries. These factors are majorly pulling the legs of MSMEs for growing on an upward trend.

(5) Problems of industries: As stated earlier, most of the industries are using second-hand machines that will lead to increase in depreciation cost and decrease in the production capacity of the machines. These factors indirectly affect the growth of the industries. Another problem is that delay in preparation of books of accounts. They are very much delay in preparing accounts that mean some of them is unorganized. Due to delay in preparation of accounts, the measurement of the industries becomes difficult to another year.

(7) Size of industries: Sixty percent of the industries are micro industries. It seems that the industries have started with the limited amount of capital in plant/machinery and in equipment in case of services. The reason behind it may be lack of availability of capital while starting the industries.

X. FINDINGS OF THE STUDY

(1) Motivational factor: The main motivational factors for starting industries are that the work experience in Kirloskar Company and an important thing that any owner has not started their industries which is inherited. Some have them have started their industries to help local people and some have opinioned that industries are their area of interest.

(2) Micro industries: Among the industries, sixty percent of them belong to micro industries. This indicates that there may be a lack of availability of capital while starting the industries.

(3) **Problems:** While starting the industries the owners have faced many problems such as capital, machinery/equipment, marketing, power, land & building, raw materials, employees. Among these, the major problems are capital and machinery/equipment. As finance is the life-blood of every business so it had become difficult for the owners to acquire the fund for starting an industry. Because they were become unemployed at that time due to shut down of Kirloskar Company.

(4) **Unorganized industries:** Some of the industries are unorganized that means they are not maintaining proper books of accounts from one year to another year this may lead to delay in the measurement of profit. This will lead to indirectly effect the growth of industries.

(5) **Profit:** The growth and performance of MSMEs are measured in terms of profit over investment, machinery used, production process, employment opportunities. Through this study, it is found that some have invested a small amount of money in return they are earning lakhs together of profit. It will show the growth and performance of MSMEs.

(6) **Maintenance of accounts:** Some industries are not maintaining proper books of accounts. Due to delay in audit report as they stated. But another reason is that their least turnover from year to year and due to their negligence also there will be a lack of maintenance of proper books of accounts. This will create a problem to measure the growth and performance of MSMEs.

XI. SUGGESTIONS

- (1) It is suggestible that industries should use first-hand machines rather than second-hand machines. Because to avoid depreciation costs and to increase production process at an increasing rate.
- (2) Some industries are not maintaining proper books of accounts. Therefore, it is suggestible that if they maintain proper books of accounts then it is easy to measure growth and performance of industries in terms of profit and investment.
- (3) Some owners are not aware of government schemes and programs but some of them have very much knowledge about government schemes but they don't want to get assistance from the government due to various procedures involved in it. So it is suggestible that they could use government assistance and get subsidies from it.
- (4) Some industries have invested limited capital but after some years they are earning lakhs together of profit. If they follow above-mentioned aspects or factors then

definitely there will be an increase in the profit portion of the investment.

XII. CONCLUSION

MSMEs play a major role in the development of a country. MSMEs are usually located in town or rural area so that they use local resources and provide employment for skilled as well as for the unskilled workers. Government is struggling hard for the promotion of MSMEs through various schemes and programs. As Government is providing much assistance for the MSMEs and the respondent industries are not getting used to it. As the government is struggling hard for promoting MSMEs and introducing various schemes & programs. The owners should make use of it. The government should encourage manufacturing sectors through which the number of people can get employed and as knew the portion of MSMEs towards export is more. So, through the establishment of MSMEs, the entrepreneurs are emerged through which they can become self-employed and by which they can provide more and more opportunities for the unemployed people.

REFERENCES

Text books:

- [1] Dr.Ravindranath.V.Badiand, Prof.Narayana.V.Badi, *Entrepreneurship*, Vrinda publications, 1st Jan 2012.
- [2] M.B.Shukla, *Entrepreneurship and small business management*, kitabmahal, 1st Jan 2007.
- [3] Dr.Vasant Desai, *Small-scale industries and entrepreneurship*, Himalaya publishing house, 1 Jan 2011.
- [4] R.L.Sanghvi, *Role of industrial estates in a developing economy*, multi-tech publishing co, 2005

Journals

- [1] N Aruna, *Problems Faced By Micro, Small and Medium Enterprises – A Special Reference to Small Entrepreneurs in Visakhapatnam*, (IOSR-JBM) Volume 17, Issue 4.Ver. V (Apr. 2015), PP 43-49
- [2] Chaitra.S.Hiremath, *Growth and performance of MSMEs in Karnataka*, International journal of management, volume 7, issue 3, march-April 2016.
- [3] Abhijeet Biswas, *Impact of MSMED Act, 2006 on the growth of small industries in India*, Vol.3, No.3, May-June (ISSN 2278-5973).
- [4] Dr.S.Shania Begaum, *Small and Medium enterprises and inclusive growth in the globalization era*, (IOSR-JBM), Vol 16, issue 6 (Jan 2014).

- [5] SudhansuSekhar Nanda, *Growth and Performance of MSMEs: An Appraisal*, ISBN: 978-81-923211-8-9.
- [6] Dr. Mateen Ahmed Siddiqui, *Engines of Growth-A study of the Growth and Performance of Indian MSMEs in the present scenario*, IJCEM, volume 2, Issue 1, April 2015.
- [7] Rupali Sharma, *Growth and performance of MSMEs in present scenario for the development of India*, International journal of interdisciplinary and multidisciplinary studies(IJIMS),2014,Vol 1,No.5,136-143.
- [8] Shibakalyan, *The role of MSME in the growth in India*, Research and reviews journal of social science, 2016.
- [9] Sudhansusekharnanda, *Growth and performance of Indian MSMEs: An appraisal*, 2016, ISBN no.978-81-923211-8-9.
- [10] Rupalisharma, *Growth and performance of MSMEs in present scenario for the development of India*, (IJIMS),2014,Vol 1,No.5,136-143.
- [11] Sudan.F.K, *Challenges in MSMEs development: Some policy issues*, journal of IT and management, 2005, vol13, No.2.
- [12] Prasad.L, *Industrialization-concept and issues*, (IJCEM), 1983, vol 12, Issue 1.
- [13] Chaitra.S.Hiremath and Dr.A.L.Malliga, *Growth and performance of MSMEs in Karnataka*, (IJM), 2016, volume 7, Issue 3.
- [14] M.R.Narayana, *Determinants of competitiveness of small scale industries in India*, Journal of business in developing nations, 2004, vol 8.
- [15] Harpreet Singh and Manish Bansal, *Major problems and prospects of food processing industry*, International journal of management excellence,2013, vol 1, No.1.
- [16] Garg, Ishu and Waliasuraj, *MSMEs-In post reform India, Status and performance*, International journal of latest trends in engineering and technology, 2012, vol 1.
- [17] Prof.M.Chandriah and R.Vani, *The prospects and problems of MSMEs sector in India an analytical study*, International journal of Business and management invention, 2014, volume 3.
- [18] Shibakalyan, *The role of MSME in the growth in India*, Research and reviews journal of social science, 2016.

Annual Reports:

- [1] Davangere industrial profile: Davangere. Ministry of MSME, Annual report 15-06-2016.
- [2] Micro, Small and Medium enterprises in India-An overview, Annual report (2008-09).
- [3] MSME at a glance, Annual report(2016)

Websites:

- [1] www.historydiscussion.net/british-india/industrial-development-in-india-during-the-british-rule/5979
- [2] <https://em.m.wikipedia.org/wiki/industrialisation>
- [3] www.iamwire.com/2017/09/importance-of-msme-sector-in-india/166912
- [4] <https://msme.gov.in/all-schemes>
- [5] <https://www.ibef.org/states/karnataka-presentation>
- [6] The new wave Indian MSME, An action agenda for growth.