

Performance of Micro and Small enterprises- A study in Rajouri district of Jammu and Kashmir State

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Abstract

After independence India gave the consideration to MSMEs sector and this sector got recognition as one of the pillars of the economy. It was in 1954 that Micro, Small and Medium Enterprises Development Organization [earlier known as Small Industries Development Organization (SIDO)] was set up as an apex body for sustained and organized growth of micro, small and medium enterprises. RBI has taken several majors to enhance the sector which includes providing free collateral loans to these Small and Medium enterprises. However it could be interesting to know that despite of adequate incentives well planned policies for Small and Micro enterprises, the industry is still being considered as an infant industry which is being confronted with several problems such as lack of adequate funds and their management, low productivity and competitiveness, lack of experience in terms of management, marketing and production. In this background present paper is an attempt to study the performance of Small and Medium enterprises in district Rajouri of J&K State.

Key words: SIDO, Micro, Small and Medium enterprises, MSMED (2006)

Introduction

In India, the evolution of policy framework and support for the protection and management of small and medium enterprises could be traced from the beginning of the industrial policies being framed by the government in 1948. The period from 1948-1991 could be envisaged as the period of evolution of recognition of Support system by SMEs in India. Because of the recognition which these Small and Medium Enterprises got in the policies, they have become effective tools for employment generation, facilitators of effective resource mobilization in the country, means for equitable distribution of wealth of the nation, and effective utilization of the skill sets of the human resources. Hence the period above mentioned could be called as the hey days of the Small and medium enterprises in the country, which led to increase in the number of new SMEs being generated in the country and which finally paid the way for the establishment of the new sector which has become finally a backbone of the national economy. In today's India, industries, particularly small and medium – sized manufacturing industries (SMEs), operate under various conditions and constraints, which hinder the achievement of organizational goals.

Classification of SMEs in the Indian Context:

In an Indian scenario, enterprises are being classified into micro, small and medium enterprises, the Micro Small and Medium Enterprises are classified on the basis of investment in the total layout of plant and their machineries. The detailed classification of the industrial sector is as under:

Table 1: Classification of Enterprises

| Classification | Manufacturing Enterprises | Service Enterprises |
|----------------|---------------------------|---------------------|
| Micro | Twenty five lakh | Ten lakh |
| Small | Five crore | Two crore |
| Medium | Ten crore | Five crore |

Source: Ministry of Micro Small and Medium Enterprises
The MSME Development (MSMED) Act 2006

The Micro Small and Medium Enterprises Development (MSMED) Act was announced in 2006, with a view to strengthen the Industrial sector and make policies to upgrade the MSMEs under the proper guideline of Ministry of Micro Small and Medium Enterprises. In this act all the doors are opened for

the continuous progress of the sector with the consent of Governor of Reserve Bank of India. The main important point of this act is that the recognition was given to this namely Micro Small and Medium Enterprises, moreover various schemes and concerning policies are fixed and implemented on this date 2006. MSMEs sector has got remarkable progress and tremendous potential with the initiation of this act. It defines the industrial sector for the first time to integrate the three tiers of enterprises namely Micro, Small and Medium Enterprises. After the 1956 Act of Small Scale Industry the MSMED 2006 came to be known as the remarkable time for the MSMEs in its history. Moreover this sector also covered the servicing sector in the category of MSMEs and has fixed the investment limit in the manufacturing as well as servicing sector in India.

This act also provide constitutional instrument with reasonable demonstration for all sectors and sections of the stakeholders. This act has also covered establishment of funds for the promotion and development of MSMEs, -the main issue which was discussed and solved in this act was effective mechanism for delayed payment related to MSMEs. Centre govt. has given special instructions to state government to give due consideration for the development of MSMEs. On 9th May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (MSME). This Ministry has designed various policies, programmes and special attention was given on implementation of designed schemes. The schemes/ programmes undertaken by the Ministry and its organizations seek to facilitate/provide:

- a) adequate flow of credit from financial institutions/banks;
- b) support technology up gradation and modernization;
- c) integrated infrastructural facilities;
- d) modern testing facilities and quality certification;
- e) access to modern management practices;
- f) entrepreneurship development and skill up gradation through appropriate training facilities;
- g) support for product development, design intervention and packaging;
- h) welfare of artisans and workers;
- i) Assistance for better access to domestic and export markets.
- j) Cluster-wise measures to promote capacity building

and empowerment of the units and their collectives.

Objectives of the Study

1. To study the performance of Micro and Small enterprises in Rajouri district.
2. To study the impact of Micro and small enterprises on the employment generation in the study area.
3. To find out various constraints/problems being faced by entrepreneurs in the study area.

Research Methodology

Methodology is an important part which not only shows the researcher the way of solving the research problem but also helps him to answer questions related to the problem. Present study is an attempt to study the performance of Micro and Small enterprises in district Rajouri of Jammu and Kashmir. In this study, both primary and secondary data have been used. Primary data has been collected through visits, discussions, personal interviews etc. Secondary data has been collected through various books, journals, published papers, and official websites of MSMEs etc. For the collection of primary data a sample of 200 enterprises have been selected randomly and information/data have been collected from owners and employees of these enterprises through well designed schedule and questionnaire.

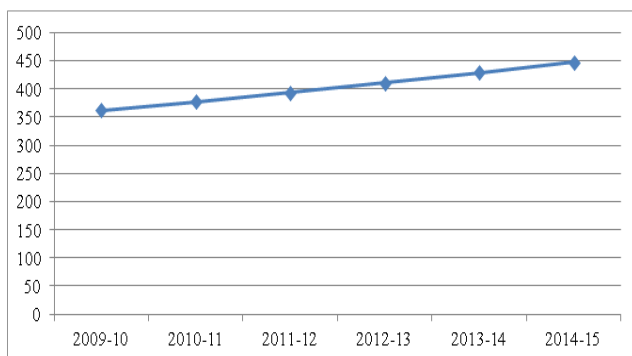
Results and Discussion

Performance of Micro and Small Enterprises

Performance of Micro and Small enterprises has been an issue before the economists who worry about the downfall of the economic conditions of the nation. Since these enterprises are leading other sectors in terms of employment generation, manufacturing output and exports of the country. Hence economists are focusing more on the performance of the sector to enhance the same by providing suitable majors to deal with. Government has been framing various research proposals to account for improved performance of the sector in the country. The MSME sector contributes very well throughout the country in terms of employment, manufacturing output and exports of the country. This sector accounts for significant improvement in the manufacturing sector. Moreover this sector has registered a consistently registered a higher growth rate as comparison to the other sectors. There are 6000 products ranging from conventional to high tech products which are being manufactured by SMEs in India As we know that MSMEs sector has shown a remarkable progress in the Indian economy than the other sectors. It is only possible due to conducive policy environment and post

liberalization. This sector has widespread in various areas like manufacturing export products. There is a progressive growth in number of Enterprises, employment, market value and Gross output from the year to 2009-2015. But the year 2009-10 showed a remarkable progress and steady growth as evident from the figure that the employment increases from 294.91 lakh to 805.23 lakh and the number of working enterprises also showed a tremendous performance for 123.42 lakh to 361.76 lakh. If this sector continues with such type of progress, our country will act as a leading country in terms of employment and economic development. The numbers of working enterprises are increasing from year to year and it indicates that the level of employment also shows a gradual change in the increasing order. This signifies that MSMEs sector are doing well in the field of employment and the number of working enterprises. Thus as the number of manufacturing units increased, the resources also get utilised in these units accordingly in the optimal manner. Hence we could easily say that these MSMEs play a dominant role in every field and contribute in the history of our country by increasing GDP. Performance of MSEs has been measured in terms of various indicators like sales volume, resource utilization, training and motivation level, working capital etc. these MSMEs have shown a significant impact on the national economy by improving their performance on these set performance indicators. Hence the economy of the nation has been on up rise due to increase in their performance visa viz. various performance indicators.

A) Number of Enterprises in MSME Sector



Source: Projected data for the years 2009-10 to 2015

Figure 1: showing no of working Enterprises

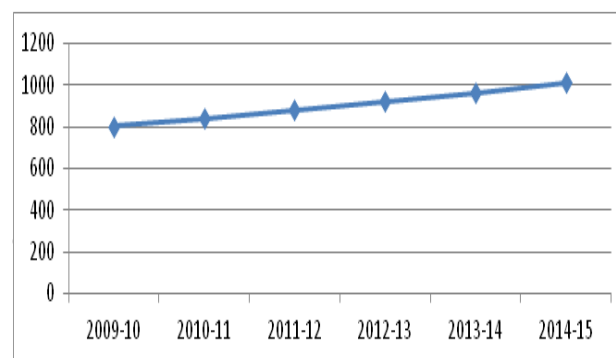
From the figure 1, it could be assessed that the number of working enterprises has shown a significant increase in their number with every passing year from

2009 to 2015. This increase could be attributed to the various industrial policies framed by the government from time to time. Hence we can say that the performance of SMEs in India has increased during the past decade or so.

B) Employment in MSME Sector:

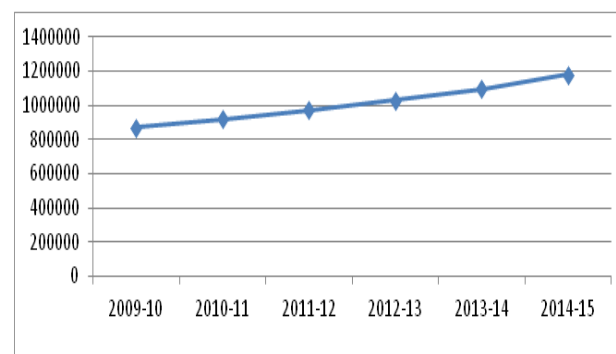
Employment generation by the SMEs is a vital factor in the growth of economy of the nation. Nation has seen a vast and enormous growth in employment generation by these SMEs due to increase in their Number and also due to lack of government jobs for the young people. Hence people tend to turn to these SMEs for employment purpose as government jobs are sinking due to various unknown and some known reasons.

From the figure 2 it could be concluded that employment generation avenues have increased in these SMEs from 2009 to 2015. It was found that 805 lakh people were employed by SMEs in 2009 which has grown up to 1012 lakh employees in 2015. This growth is an indicator of how well the SMEs are growing at an alarming pace in the



Source: Projected data for the years 2009-10 to 2015

Figure 2: No Of Employment in lakh

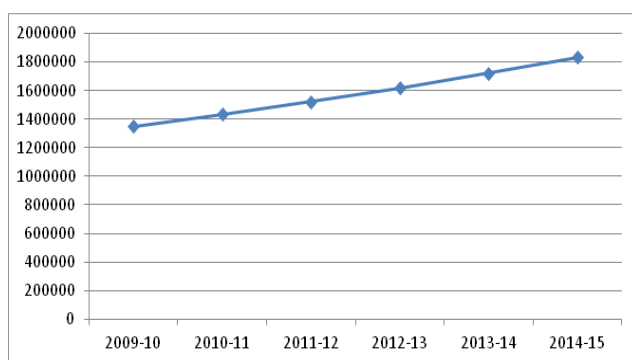


Source: Projected data for the years 2009-10 to 2015

Figure 3: Fixed Investment in MSME Sector

Market value of fixed assets is another indicator of the performance of MSMEs. Greater the market value of assets, greater is the performance of the MSMEs. From the table above we can say that market value of fixed assets of SMEs was Rs. 868543 crores which has grown upto Rs. 1176939 crores in the year 2015. Hence it authenticates the fact that these SMEs have enhanced their efficiency from the past few

From the figure 4 representing the gross output of SMEs from the past few years. It could be find out from the data that the gross output of SMEs has increased from 1351383 crores in 2009-2010 to Rs. 183432 crores in year 2015. From this data we can say that the gross output has also increased which finally lead to an increase in the national income of the nation.



Source: Projected data for the years 2009-10 to 2015

Figure: 4: Gross Output in MSME Sector

From the table 2 we could say that maximum employment is being provided by the repairing and servicing units which have provided jobs to 901 people in the district. Wooden based furniture making units also are leading employment providers in the district with 240 people being provided the same. 200 people are being employed in various shops dealing with readymade garments and embroidery. Similarly metal based steel fabrication units and agro based units are also providing jobs to 195 and 180 people respectively.

Hence we can conclude here that SMEs are growing at a good pace in the district if not at an accelerated pace. With the little bit coordination from government and the persons dealing with these SMEs in the district, this sector could be turned into a leading sector in the area in the years to come by.

From the table 3 it could be assessed that number of units tend to increase every year as it has

escalated from 20 units created by trained entrepreneurs in 2007-08 year to 95 units in 2013-14. Thus these SMEs have been on upsurge as far as creation of new units when they are provided with sufficient and need based training by the supporting agencies in Rajouri.

Table 2: Details of Micro and Small Enterprises and Artisan Units in the District Rajouri

| Type of industry | No. of units | Investment (lakhs) | Employment |
|--|--------------|--------------------|------------|
| Agro based | 61 | 60.00 | 180 |
| Soda water | 2 | 3.00 | 10 |
| Woollen, silk & artificial Thread based clothes. | 21 | 6.10 | 60 |
| Ready-made garments & embroidery | 96 | 5.20 | 200 |
| Wood/wooden based furniture | 36 | 75.40 | 240 |
| Paper & Paper products | 7 | 28.60 | 55 |
| Metal based (Steel Fabrication) | 39 | 120.15 | 195 |
| Engineering units | 5 | 8.800 | 15 |
| Electrical machinery and transport equipment | 36 | 70.014 | 80 |
| Repairing & servicing | 655 | 164.485 | 901 |
| Others | 31 | 775.00 | 410 |

Source: DIC Rajouri

As far as employment generation in the Rajouri district is concerned, the table 3 depicts that maximum employment was generated in the year 2007-08 as 245 people were provided employment by the enterprises. Baring 2008-09 year, employment generation is on rise with every passing year. This increase in employment generation could be attributed to more focused and proactive approach being adopted by Micro and Small Enterprises in Rajouri District.

Besides we can say from the table 3 that the number of new units created has increased both in case of manufacturing and in servicing sector. This may be attributed to increased awareness which has been focused more by the facilitating agencies in the study area.

Further to study the performance of the Micro and Small enterprise operating in the study area, Correlation Analysis has been used among various dimensions of performance like service quality

management, training and motivation, resource utilisation, working capital and sales volume.

Impact of Micro and Small enterprises on employment generation in District Rajouri

From the table 4, it was found that 176 were micro enterprises constituting 87.6% of total enterprises in the study area and remaining 24% were from the small sector constituting 11.9% of total enterprises in the district.

Table 3: Employment in the Rajouri District

SMEs and Employment Generation in District Rajouri

| Year | Line of activity | No. of unit | Employment |
|-----------|------------------|-------------|------------|
| 2007-08 | Manufacturing | 11 | 224 |
| | Servicing | 09 | 21 |
| | Total | 20 | 245 |
| 2008-09 | Manufacturing | 07 | 33 |
| | Servicing | 14 | 38 |
| | Total | 21 | 71 |
| 2009-2010 | Manufacturing | 12 | 86 |
| | Servicing | 26 | 55 |
| | Total | 38 | 141 |
| 2010-11 | Manufacturing | 16 | 112 |
| | Servicing | 31 | 74 |
| | Total | 47 | 186 |
| 2011-2012 | Manufacturing | 27 | 115 |
| | Servicing | 39 | 95 |
| | Total | 66 | 210 |
| 2012-13 | Manufacturing | 35 | 143 |
| | Servicing | 46 | 97 |
| | Total | 81 | 240 |
| 2013-14 | Manufacturing | 43 | 146 |
| | Servicing | 52 | 99 |
| | Total | 95 | 235 |

Source: DIC Rajouri

Table 4: Type of Enterprises:

| | Frequency | Percent |
|-------------------|-----------|---------|
| Micro enterprises | 176 | 87.6 |
| Small enterprises | 24 | 11.9 |
| Total | 200 | 100 |

Hence we can say that maximum units in the district belong to the small sector and only a handful number of enterprises are included under the category of medium enterprises.

From the table 5 it could be traced that maximum number of units in the district are involved in furniture making (28). Equal number i.e. 28 is dealing with readymade garments which are the main source of

income generation in the area. Metal based and steel making is another type which is contributing to a great extent in the study area towards SMEs development. Servicing through repairing of automobiles is another set of SMEs which are highly prevalent in the area. Brick manufacturing, private educational institutes and agro based sector are also being found in the study area. Even few constructions related enterprises are also prevalent in district which contributes towards the SME development in the area.

Table: 5: Nature of enterprises

| | Frequency | Percent |
|--|-----------|---------|
| Wooden based products like furniture etc | 28 | 13.9 |
| Readymade garments and embroidery | 28 | 13.9 |
| Paper and paper products | 7 | 3.5 |
| Metal based and steel fabrication | 21 | 10.4 |
| Engineering units and electrical machines and transport equipments | 12 | 6.0 |
| Repairing | 21 | 10.4 |
| Brick manufacturing | 19 | 9.5 |
| Stone crusher | 6 | 3.0 |
| Educational institutes | 15 | 7.5 |
| Agro based | 15 | 7.5 |
| Banking sector | 7 | 3.5 |
| Construction related services | 9 | 4.5 |
| Others | 12 | 6.0 |
| Total | 200 | 100 |

Hence we can conclude that every type of SMEs is present in the district which makes it highly diversified in the area.

Correlation analysis has been used to find out the relationship between Profit Margin and Service Quality Management. The correlation coefficient value between Profit Margin and Service Quality Management is 0.188, which indicates that 18.8% of variation in Profit Margin is explained by Service Quality Management. And p value is < 0.01 so; there exist a statistically significant relationship between Profit Margin and Service Quality Management at 99% level of confidence.

Correlation analysis has been used to find out the relationship between Profit Margin and Training and Motivation. The correlation coefficient value between Profit Margin and Training and Motivation is -0.107, which indicates that 10.7% of variation in Profit Margin is explained by Training and Motivation. And p value is > 0.01 so, there doesn't exist a statistically

Table 6: Correlation among Dimensions of Performance

| | | Profit Margin | Service Quality | Training and Management | Resource Utilization Motivation | Working Capital | Sales Volume |
|----------------------------|---------------------|------------------|--------------------|-------------------------------|---------------------------------------|--------------------|-----------------|
| Profit Margin | Pearson Correlation | 1 | | | | | |
| | Sig. (2-tailed) | | | | | | |
| | N | 200 | | | | | |
| Service Quality | Pearson Correlation | 0.188** | 1 | | | | |
| | Sig. (2-tailed) | 0.008 | | | | | |
| | N | 200 | 200 | | | | |
| Training and Motivation | Pearson Correlation | -.107 | -0.100 | 1 | | | |
| | Sig. (2-tailed) | 0.132 | 0.161 | | | | |
| | N | 200 | 200 | 200 | | | |
| Resource Utilization | Pearson Correlation | 0.020 | 0.110 | 0.292** | 1 | | |
| | Sig. (2-tailed) | 0.778 | 0.120 | 0.000 | | | |
| | N | 200 | 200 | 200 | 200 | | |
| Working Capital | Pearson Correlation | 0.062 | 0.042 | -0.042 | -0.057 | 1 | |
| | Sig. (2-tailed) | 0.386 | 0.554 | 0.557 | 0.419 | | |
| | N | 200 | 200 | 200 | 200 | 200 | |
| Sales Volume | Pearson Correlation | 0.082 | 0.034 | -0.052 | 0.099 | -0.011 | 1 |
| | Sig. (2-tailed) | 0.248 | 0.633 | 0.466 | 0.162 | 0.877 | |
| | N | 200 | 200 | 200 | 200 | 200 | 200 |

**Correlation is significant at the 0.01 level (2-tailed).

significant relationship between Profit Margin and Training and Motivation at 99% level of confidence.

Correlation analysis has been used to find out the relationship between Profit Margin and Resource Utilization. The correlation coefficient value between Profit Margin and Resource Utilization is 0.020, which indicates that 2.0% of variation in

Profit Margin is explained by Resource Utilization. And p value is > 0.01 so, there doesn't exist a statistically significant relationship between Profit Margin and Resource Utilization at 99% level of confidence.

Correlation analysis has been used to find out the relationship between Profit Margin and Working Capital. The correlation coefficient value between Profit Margin and Working Capital is 0.062, which indicates that 6.2 % of variation in Profit Margin is explained by Working Capital. And p value is > 0.01 so, there doesn't exist a statistically significant relationship between Profit Margin and Working Capital at 99% level of confidence.

Correlation analysis has been used to find out the relationship between Profit Margin and Sales Volume. The correlation coefficient value between Profit Margin and Sales Volume is 0.082, which

indicates that 8.2% of variation in Profit Margin is explained by Sales Volume. And p value is > 0.01 so, there doesn't exist a statistically significant relationship between Profit Margin and Sales Volume at 99% level of confidence.

Problems being faced by the Entrepreneurs in Rajouri District

In order to trace the various problems which these MSEs have been facing in the district Rajouri, several statements were and these constraints were highlighted by giving calculating their respective mean scores and standard deviation values. These constraints were assigned ranks based on the values of their mean score values.

Problems Faced by the MSE's

From the table 7, it could be concluded that lack of adequate credit facility to the entrepreneurs of these SMEs was the most critical problem being faced by them while managing their enterprises. Lack of appropriate and updated technology was another major constraint being faced by the respondents. This lack of updated technology has resulted in increased cost of their output products and services which hampers their growth to a great aspect.

Table 7: Problems Faced by the entrepreneurs

| S.No. | Statements | Mean | Rank | Std. Deviation |
|-------|--|------|------|----------------|
| 1 | As a entrepreneur you did not received government support as you expected | 2.90 | 11 | 1.29 |
| 2 | You are confronted with problems associated with trade fairs and exhibitions | 3.28 | 7 | 1.05 |
| 3 | You are facing problems to acquire appropriate Technology | 3.53 | 2 | 1.12 |
| 4 | You are facing problem in importing and exporting goods/services | 3.44 | 4 | 1.18 |
| 5 | You feel that spreading appropriate information among the population is also a challenge | 3.48 | 3 | 1.18 |
| 6 | Lack of well trained employees is a problem. | 3.32 | 6 | 1.23 |
| 7 | Legal aspects associated with business are also Instigating difficulty. | 3.22 | 8 | 1.16 |
| 8 | Terrorism is another serious problem. | 3.13 | 10 | 1.13 |
| 9 | You feel that sales of produced goods are a challenge in the present competitive market | 3.18 | 9 | 1.14 |
| 10 | You are faced with problems associated with subsidy Operations | 3.43 | 5 | 1.08 |
| 11 | You feel that credit facility needs to be improved | 3.59 | 1 | 1.19 |
| | Overall | 3.31 | | 1.16 |

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