

IMPACT OF MSME'S PERFORMANCE ON THE PRODUCTION GROWTH

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INTRODUCTION:

Micro, Small and Medium Enterprises (MSME) sector has emerged as highly vibrant and dynamic sector of the Indian economy over the last five decades. The MSME sector has already proved its mettle as a dominant player in most of the developed economies by giving a new dimension to their growth perspectives. It has helped in generation of large scale employment at lower capital cost, balanced regional development, generation of exportable surplus and in the establishment of a more flexible structure.

Micro, Small and Medium enterprises (MSME) exist in the form of factories, workshops, trading and service organization and range from the most modern and up-to-date enterprise to the simple and traditional units. The main objectives of MSMEs are almost the same; they are defined and viewed differently in different countries. MSMEs have the advantages of generating employment with low investment, diversifying the industrial base, reducing regional disparities through dispersal of industries into rural, semi-urban and backward areas (Subramanyam and Reddy, 2012).

LITERATURE REVIEW:

Farajollahzadeh et al. (2018) examined the contribution of the MSMEs in terms of job creation, profit generation, overall production and capital formation in the country. Researchers have measured the trend of growth for MSMEs operating in India. For the purpose of measuring the growth of MSMEs, researchers have used the secondary sources of data such as; census reports, industrial reports, and the annual reports of the MSMEs etc. The collected data have been analysed with the help of ratios, tables and graphs. It was found that the growth of MSMEs outcomes raised 8.69 per cent to 11.90 per cent in last ten years (2004 to 2014). It was also found that MSMEs are making a vital contribution to the GDP of India, creating various job opportunities in this sector. Indian MSMEs has produced more than 6000 product including food or agriculture products, fabricated metal products, household products and wood products.

Bhattacharyya (2014) conducted a study to major the importance of cottage industries in improving the income of rural people of India. The study was based on the secondary data extracted from the various internet sources, annual reports related to the rural development in India and reports of MSMEs. Researcher has used the average value and ratio method for the purpose of secondary data analysis. Researcher has included total 6270 cottage industries from different sectors such as; handicraft, textile, dairy or agri

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products, in the sample. It was found that there is a balanced growth of handicraft industries in North India. Handicraft industry in North India constitutes total 25 percent of Indian handicraft industry, while 23.5 percent of total textile industries are situated in North India. The maximum number of cottage industries is situated in Western India. 27.4 percent of total textile industry are situated in Gujrat, Maharashtra and Rajasthan. While 22.5 percent of Indian handicraft industries are situated in Western India. The maximum number of handloom industries is situated in South India, which constitute 36.2 percent of total Indian handloom industry. Research showed that in Eastern India there is a low expansion of cottage industries.

MSMEs Trends in India:

Growth of small and medium enterprises can be measured using financial performance measures of a company (profit, return on assets and return on investment) and market performance measures (sales and market share) (Harash, et al, 2014). So that growth of small and medium enterprises may be measured with the help of data regarding employment generation, fixed investment, total production and working enterprises in better form in comparison to qualitative data. Micro, Small and Medium Enterprises (MSMEs) play an important role in the development of country. Micro, Small and Medium Enterprises have been accepted as the engine of economic growth and for promoting equitable development.

Registered MSME sector, The total contribution of MSMEs in production is INR 27, 83, 433 Crore that is 6 per cent in Gross Domestic Production, 33 per cent in manufacturing sector and 45 per cent in exports.

Table 1: Working MSMEs and production growth in India

Year	Total Working MSME (lakhs)	Production (INR Crore)
2004-05	118.59	4,29,796.00
2005-06	123.42	4,97,842.00
2006-07	361.76	13,51,383.45
2007-08	377.36	14,35,179.26
2008-09	393.70	15,24,234.83
2009-10	410.80	16,19,355.53
2010-11	428.73	17,21,553.42
2011-12	447.66	21,67,110.00
2012-13	467.54	23,85,248.00

2013-14	488.46	26,53,329.00
2014-15	510.57	27,83,433.00

(Sources: Annual Report, 2016-17)

ANALYSIS:

This has measured the impact of growth of MSMEs on the Production in the country. Simple regression model has been used by the researcher to measure the cause and effect relationship between MSMEs' growth and Production. Growth in number of MSMEs has been taken as independent variable and growth in Production has been taken as dependent variable. Results of the regression have been given below in detail:

Null Hypothesis: Growth of MSMEs has no impact on the Production growth.

Table 2: Results of Regression

R = 0.641, R Square = 0.410					
F-value = 69.830, p-value = 0.000					
Regression	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-9.501	6.836		-1.416	.191
Growth of MSME	.478	.078	.341	8.356	.000

Interpretation: It can be interpreted from the table 2 that value of R square is 0.410, which indicates that 41 percent of the variation in the value of dependent variable is caused by independent variable and only 51 percent of variation in the value of dependent variable is caused by other chance factors. It was also found from the table 66 that f-value is 69.830 at a p-value of 0.000 which shows that a significant model has emerged from the regression model. Null hypothesis which states that there is no relationship between growth of MSMEs and Production leads to rejection and it can be said that growth of MSMEs has a significant impact on the growth of Production. Further, it was clear from the table 67 that the value of regression coefficients is 0.478 which positive and significant at one percent level of significance. Thus, overall it can be said that there is positive and significant relationship between growth of MSMEs and Production.

Conclusion:

Overall, it can be said that growth of Micro, Small and Medium Enterprises (MSMEs) has a positive and significant relationship with the growth in production. MSMEs not only create employment for these industries but provide the raw material supply for large industries which leads to smooth operations of various large industries and helps in generating employment for large industries also.

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