

RELATIONSHIP BETWEEN MSME'S GROWTH AND FIXED INVESTMENT

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Abstract:

The largest source of employment after agriculture, small sector in India enables lakhs of men, women and children living in urban slums, upcoming towns and remote villages. Apart from contributing to national income, MSMEs are instruments of inclusive growth and development. For many families, it is the only source of income and livelihood. Thus, instead of taking a welfare approach, this sector seeks to empower people to break the cycle of poverty and want. It focuses on people's skills and agency (Desai, 2000).

Introduction:

Micro, Small and Medium Enterprises (MSME) are a key component in economic life, not only because of their number and variety but because of their involvement in every aspect of the economy, their contribution to regional development and the complementary role they play in support of the large sector. Small and medium enterprises could be termed as seed of industrial growth.

So that performance of small and medium enterprises may be measured with the help of data regarding fixed investment. Micro, Small and Medium Enterprises contribute significantly to social and economic development objectives such as labour absorption, income distribution, rural development, poverty eradication, regional balance and promotion of entrepreneurship. In fact, they play an important role in the process of country's industrial development.

The contribution of micro and small enterprises (MSEs) to employment, growth and sustainable development is widely acknowledged. MSEs are long recognized as important vehicles of economic diversification, income generation and distribution, and accelerating the economy of a country. They can also help to achieve a more equitable distribution of the benefits of economic growth (Aynadis and Mohammednur, 2014).

Pathak and Agrawal (2016) conducted a study for measuring the performance of the MSMEs operating in the area of Uttarakhand. Researchers have measured the performance of last eight years from March, 2007 to the March, 2015. Study was based on the analysis of secondary data collected from the various sources such as; annual reports of MSMEs sector, annual report of the Uttarakhand state and the various published or unpublished reports, and news of MSMEs. Researchers have used the descriptive statistics for presenting

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the data of last eight years with the help of graphs and tables. It was found that there is a growth of 80 percent in the overall performance of the MSMEs situated in Uttarakhand, during last eight years from 2007 to 2015. It was also found that out of 13 districts in the state only five districts have shown progress in terms of establishing industries.

Sarma (2016) highlighted the major areas which need to be worked upon for improving the performance of MSMEs operating in India. Researcher has also revealed the future prospects of the MSMEs. The study was completely based on secondary data related to various performance parameters of the MSMEs. Data has been collected from annual reports of the MSMEs sector, various websites connected with MSMEs, research papers and articles. It was stated by the researcher that MSMEs of India has a bright future, as they are continuously improving their performance in terms of growth, profit, total production and the total investment. It was found that there is a significant contribution of the MSMEs towards the total industrial production of India, total employment in the country and value of exports. Besides all these contributions, there are various problems or hurdles which are hindering the growth of the MSMEs in India. These barriers are mainly related to the marketing, insufficient financial sources, unavailability of latest technology, or updated equipment and the most important is the lack of qualified and skilled man power in the sector.

Data Analysis

Total estimated registered working enterprises stood 510.57 Lakh distributed 55 per cent in urban areas and 45 per cent in rural areas. Out of the total working enterprises micro sector consider 95.05 per cent, small sector considers 4.74 per cent and medium sector consider 0.21 per cent so micro sector dominated MSMEs sector in terms of working enterprises. Fixed investment in registered sector is estimated at INR 14, 71, 912.94 Crore. Small sector accounted the largest share (49 per cent) of the total fixed investment followed by micro sector (37 per cent) and medium sector (14 per cent).

Table 1 Contribution OF MSMEs in India

Year	Total Working MSME (lakhs)	Fixed Investment (INR Crore)
2004-05	118.59	1,78,699.00
2005-06	123.42	1,88,113.00
2006-07	361.76	8,68,543.79
2007-08	377.36	9,20,459.84

2008-09	393.70	9,77,114.72
2009-10	410.80	10,38,546.08
2010-11	428.73	11,05,934.09
2011-12	447.66	11,82,757.64
2012-13	467.54	12,68,763.67
2013-14	488.46	13,63,700.54
2014-15	510.57	14,71,912.94

(Sources: Annual Report, 2016-17)

Objective and method of analysis

The current study has measured the impact of growth of MSMEs on the Fixed Investment in the country. Simple regression model has been used by the researcher to measure the cause and effect relationship between MSMEs' growth and Fixed Investment. Growth in number of MSMEs has been taken as independent variable and growth in Fixed Investment 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 Fixed Investment growth.

Table 2: Results of Regression

R = 0.798, R Square = 0.636					
F-value = 855.602, p-value = 0.000					
Regression	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-27.049	4.162		-5.327	.000
Growth of MSME	0.603	.312	.495	29.251	.000

Interpretation: It can be interpreted from the table 2 that value of R square is 0.636, which indicates that 63 percent of the variation in the value of dependent variable is caused by independent variable and only 37 percent of variation in the value of dependent variable is caused by other chance factors. It was also found from the table 69 that f-value is 855.602 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 Fixed Investment leads to rejection and it can be said that growth of MSMEs has a significant impact on the growth of Fixed Investment. Further, it was clear from the table 70 that the value of regression coefficients is 0.603 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 Fixed Investment.

Conclusion:

Overall, it can be said that growth of Micro, Small and Medium Enterprises (MSMEs) has a positive and significant relationship with fixed investment. 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 production capacity for large industries also.

References:

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