



A STUDY ON PERFORMANCE AND EVALUATION OF MICRO, SMALL AND MEDIUM ENTERPRISES IN TAMIL NADU

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Abstract

The micro, small and medium enterprises (MSME) sector plays an essential role in the socio-economic development of the country since independence. The present study is undertaken to analyse the trend and growth of investment, production and employment performance of Micro, Small and Medium Enterprises during the period from 2001-02 to 2017- 18 in Tamil Nadu.

The objectives of the present study are:

1. To examine the growth of MSME units and employment opportunities in Tamil Nadu, from the year 2001-02 to 2017-18.
2. To find out the average number of units and employment provided over a period and stability of performance of Micro, Small and Medium Enterprise (MSME) in Tamilnadu during the period 2000-01 to 2017-18.
3. To study the growth of investment and production of MSME units in Tamil Nadu, from the year 2001-02 to 2017-18 and 4. To assess the trend and growth of investment, production and employment performance of Micro, Small and Medium Enterprises during the period from 2001-02 to 2017-18 in Tamil Nadu.

In order to analyse the trend and growth of investment, production and employment performance of Micro, Small and Medium Enterprises in Tamil Nadu over a period, percentage methods, mean, standard deviation, coefficient of variations, linear trend and compound growth rate have used. The secondary data collected through the internet, books, newspaper, journals records and brochures from 2000-01 to 2017-18. To conclude the Micro, Small and Medium Enterprise (MSMEs are an important sector and plays a critical role in the Tamil Nadu economy.

Keywords: MSME, economic growth, industrial sector, employment generation, entrepreneurial activities, self-employment.

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INTRODUCTION

The development of micro, small and medium enterprise (MSME) is one of the recent critical issues in developing countries (Gibb & Ritchie, 1982). Micro, small and

medium enterprises (MSME) segment plays a significant role in economic growth and employment generation (Bose, B., 2013). This sector contributes significantly to the manufacturing output, employment and

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exports of the country. Further, this sector has reliably registered a higher growth rate than the rest of the industrial sector (Panigrahi, A.K., 2012).

It is well known that the MSME segment provides maximum opportunities for both self-employment and jobs after the agriculture sector (Garg, 1. and Walia, S., 2012). Entrepreneurial activities are strongly linked to micro, small and medium-sized enterprises, and it is acting as a developing force for the economies (Stefanovic, 1., Prokic, S. & Rankovic, L. 2011).

The productive entrepreneurial activities not only facilitate development and raising the living standard of the individual but also of the nation (Rai, S.K. and Sahay, A. 2004). The importance of entrepreneurship has been recognised due to its contribution to job creation, revenue generation, wealth enhancement and poverty alleviation (Josiane, C. 1998).

The small enterprise segment has continued to contribute significantly to creating jobs in large scale and helped in reducing inter-regional and rural-urban disparities in growth (Das, K. 2008).

The MSME sector accounts for about 33% of the manufacturing output and around 45 percent of the total export of the country (Annual report, 2016-17. Ministry of MSME). The MSME sector includes 26.61 Lakhs women-led enterprises comprise of 7.4% of the enterprises and two crores of rural enterprises, comprise around 55.34% of the total enterprises (Annual MSME Report 2016-2017). The most prominent reason for the non-registration of MSME units is the unawareness of the people towards the provisions of registration. (Ravi, S. 2009). The present study is undertaken to analyse the trend and growth of investment, production and employment performance of Micro, Small and Medium Enterprises during the period from 2001-02 to 2017-18 in Tamil Nadu.

OBJECTIVES

The objectives of the present study are:

1. To examine the growth of MSME units and employment opportunities in

Tamil Nadu, from the year 2001-02 to 2017-18.

2. To find out the average number of units and employment provided over a period and stability of performance of Micro, Small and Medium Enterprise (MSME) in Tamilnadu during the period 2000-01 to 2017-18.
3. To study the growth of investment and production of MSME units in Tamil Nadu, from the year 2001-02 to 2017-18 and
4. To assess the trend and growth of investment, production and employment performance of Micro, Small and Medium Enterprises during the period from 2001-02 to 2017-18 in Tamil Nadu.

METHODOLOGY

In order to study the trend in growth of investment, production and employment performance of Micro, Small and Medium Enterprises in Tamil Nadu over a period, percentage methods, mean, standard deviation, coefficient of variations, linear trend and compound growth rate have used. The secondary data collected through the internet, books, newspaper, journals records and brochures from 2000-01 to 2017-18.

PERFORMANCES OF MSME UNITS IN TAMIL NADU

Tamil Nadu is one of the well-built states in terms of industrial development. In the post-liberalization era, Tamil Nadu has emerged as one of the forerunners by attracting a large number of investment proposals, especially during recent times. The State of Tamil Nadu, with its significant coverage of both traditional and modern industries, stands No. 1 as India's hub of Micro Small and Medium Enterprises.

The MSME sector has a significant contribution to the economy of Tamil Nadu. MSMEs in Tamil Nadu produce over 8000 varieties of products including engineering products, electrical, electronics, chemicals, plastics, steel, cement, paper, matches, textiles, hosiery and readymade garments. This part explained the Micro, Small and Medium Enterprises level of investment,

production, employment, etc., in Tamil Nadu during the year of 2003-04 to 2012-13.

The MSME sector has a significant contribution to the economy of Tamil Nadu. Tamil Nadu has 9.68 Lakh registered MSMEs as on 31.3.2014. This sector employs about 63.18 lakh persons and accounts for a total investment of Rs.67,130 crore. MSMEs in Tamil Nadu produces over 6000 varieties of products including engineering products, electrical,electronics, chemicals, plastics, steel, cement, paper, matches, textiles, hosiery, readymade garments etc., (Government of Tamil Nadu, 2014-15).

Generation of Employment opportunities in MSME in Tamil Nadu

- Unemployed Youth Employment Generation Programme (UYEGP)
- New entrepreneur-Cum-Enterprise development scheme (NEEDS)
- Prime ministers' Employment Generation Programme (PMEGP)
- Micro And Small Enterprises facilitation Councils (MSEFC)
- Mudra Scheme
- Stand-Up India Scheme
- The Credit Guarantee Fund Scheme For Micro And Small Enterprises (CGS)

There has been a remarkable growth of MSMEs in Tamil Nadu. The sector produces a wide variety of products in almost all fields; the protuberant among them are the textile,

electronic products, engineering products, auto ancillaries, leather products, chemicals, plastics, garments,jewelry etc. There is 12.94 Lakh registered number of units in the State, providing employment opportunities to about 80.81 lakh persons.

Tamil Nadu Government has taken initial steps to promote, protect and support the MSME sector so that a high-level committee was set up in 2006 to look after the issue of subsidies and incentives to the sector. After detailed examination of the recommendations of the High-Level Committee constituted to identify the industrially backward blocks and also taking into consideration of suggestions received from the representatives of the various Associations of micro and small industries in the State, during a series of meeting taken up by the Government, the Government have approved the Micro, Small and Medium Industries Policy, 2008. Resulting in the introduction of Udyog Aadhaar Memorandum (UAM) by the Ministry of MSME, Tamil Nadu has started the UAM implementation in 21.1.2016.

MSME UNITS AND EMPLOYMENT OPPORTUNITIES IN TAMIL NADU

The growth of MSME units and employment opportunities in Tamil Nadu, from the year 2001-02 to 2017-18 is presented in table 1.

5364

TABLE 1
MSME UNITS AND EMPLOYMENT OPPORTUNITIES IN TAMIL NADU

Year	No.of Units (lakhs numbers)	Percentage to Total	Employment (lakhs in person)	Percentage to Total	Total
2001-02	105.21	29.68	249.33	70.32	354.54
2002-03	109.49	29.62	260.21	70.3	369.70
2003-04	25794.0	88.87	3229.67	11.13	29023.67
2004-05	16253.0	72.95	6028.00	27.05	22281.00
2005-06	20399.0	96.78	678.00	3.22	21077.00
2006-07	19201.0	94.58	1100.26	5.42	20301.26
2007-08	27209.0	91.81	2428.55	8.19	29634.55
2008-09	32049.0	91.59	2942.55	8.41	34991.55
2009-10	41799.0	96.50	1517.43	3.50	43316.43
2010-11	27902.0	93.46	4052.33	6.54	61954.33
2012-13	83348.0	93.46	5834.36	6.54	89182.36
2013-14	116393	95.92	4949.90	4.08	121342.90
2014-15	143104	95.65	6511.80	4.35	149615.80



2015-16	142136	94.58	8153.15	5.42	150289.20
2016-17	267310	93.37	18976.19	6.63	286286.20
2017-18	217981	94.05	13785.11	5.95	231766.40
Total	1281850.70	9373	85720.98	6.27	13675720

Source : Commissioner and Director of Industries and Commerce, Chennai-5.

Table 1 shows the growth of MSME units and employment opportunities in Tamil Nadu, from the year 2001-02 to 2017-18. In 2001-02, the total number of registered MSMEs was only 105.21 lakhs, in 2003-04, the total number of registered MSMEs was only 25,794.0 lakhs and 2007-08 the number increased to 27,209.0 lakh units. After (2003-04 to 2004-05), the registered MSMEs units recorded irregular trend line.

The total number of registered MSMEs units have been recorded the increasing trend as 32049.0 lakhs in 2008-09 and 83348.0 lakhs in 2012-13. The total number of registered MSMEs units have been recorded the increasing trend as 116393 lakhs in 2013-14 and 267310 lakhs in 2016-17 and with the declining trend as 217981 lakhs in 2017-18 respectively.

In 2001-02, MSMEs provided 249.33 lakh employment opportunities, in 2003-04, MSMEs provided 3229.67 lakh employment opportunities, and in 2005-06 the employment generation was declined to 678.00 lakhs persons. Through the period from 2006-07 to 2012-13, the employment generation had gradually increased from

1100.26 lakh persons to 5834.36 lakh persons in 2012-13.

During the period from 2013-14 to 2017-18, the employment generation has steadily fluctuated and increasing from 4949.90 lakh persons to 13785.44 lakh persons in 2017-18. The total performance MSMEs in Tamil Nadu denotes the linear function at an upward sloping.

The percentage of the whole number of units in micro, small and medium units in Tamilnadu increased continuously from 2000-01 to 2017-18 respectively. In the year 2000-01, the total number of units growth rate was 29.68 percent. Likewise, in the year 2017-18, the total number of units growth rate was 94.05 percent. On the contrary, employment opportunities in micro, small and medium units growth rate was 70.32 percent in the year 2000-01. Likewise, in the year 2017-18, the employment generated growth rate was only 5.95 percent in Tamilnadu.

The average number of units and employment provided over a period and stability of performance of Micro, Small and Medium Enterprise (MSME) in Tamilnadu during the period 2000-01 to 2017-18 presented in Table 2.

5365

TABLE 2
AVERAGE LEVEL AND STABILITY OF NUMBER OF UNITS AND EMPLOYMENT IN MICRO, SMALL AND MEDIUM ENTERPRISE (MSME) in Tamil Nadu DURING 2000-01 TO 2017-18

Particulars	Total number of units	Employment	Total
Mean (X)	75402.98	5042.41	80445.39
Standard Deviation (S.D)	77893.71	4952.27	82562.75
Co-efficient of Variation (C.V)%	103.30	98.21	102.63

It is inferred from Table 2 that the performance of employment, on an average over a period, was found to be lower than the performance of the total number of units. The average units over the period from 2000-01 to 2017-18 was 75402.98 lakh for the number of

units, 5042.41 lakh for employment, and 80445.39 lakh for entire enterprises and employment. The value of the coefficient of variation displays that the performance of the total number of units of Micro, Small and Medium Enterprises was relatively stable



throughout 16 years compared to the performance of employment in Tamilnadu.

The growth of investment and production of MSME units in Tamil Nadu, from the year 2001-02 to 2017-18 is presented in table 3.

INVESTMENT AND PRODUCTION PERFORMANCES OF MSME UNITS IN TAMIL NADU

**TABLE 3
INVESTMENT AND PRODUCTION PERFORMANCES OF MSME UNITS IN TAMIL NADU**

Year	Investment (Rs.Crores)	Percentage to Total	Production (Rs. in Crores)	Percentage to Total	Total
2001-02	154349	35.35	282270	64.65	436619
2002-03	162317	34.02	314850	65.98	477167
2003-04	722.16	12.28	5158.80	87.72	5880.96
2004-05	1105.81	19.53	4556.97	80.47	5662.78
2005-06	1705.20	27.86	4414.87	72.14	6120.07
2006-07	714.41	25.68	2067.87	74.32	2782.28
2007-08	2547.14	22.57	8739.95	77.43	11287.09
2008-09	3557.89	21.04	13354.86	78.96	16912.75
2009-10	3214.22	22.81	10880.01	77.19	14094.23
2010-11	5872.37	31.96	12500.86	68.04	18373.23
2011-12	7429.59	32.41	15496.00	67.59	22925.59
2012-13	8751.54	33.33	17503.08	66.67	26254.62
2013-14	18939.87	52.95	16832.25	47.05	35772.12
2014-15	24349.65	28.94	59789.70	71.06	84139.35
2015-16	34411.90	36.71	59332.19	63.29	93744.09
2016-17	36221.78	38.31	58318.52	61.69	94540.3
2017-18	25373.12	30.43	58016.79	69.57	83389.91
Total	491582.65	34.24	944082.72	65.76	1435665

5366

Source: Commissioner and Director of Industries and Commerce, Chennai-5.

Table 3 shows the investment and production of MSME :units in Tamil Nadu, from the year 2001-02 to 2017-18. Regarding investment criteria, after the new economic policy in Tamil Nadu, several large and medium-sized industries have been started with massive investment. In 2001-02, the investment was Rs. 1,54,349 crores, declined to in 2003-04 the investment was Rs.722.16 crores, and it increased to Rs.2,547.14 crores in 2007-08. During the period 2004-05 to 2005-06, the investment was very high. In 2006-07, the investment was only Rs.714.41 crores, and it increased in the following years 2007-08 and 2008-09. During the period from 2009-10 to 2017-18, the investment has recorded an uneven trend with high fluctuations from 3214.22 crores to 25373.12 crores respectively.

The growth of production is also the same as above, in 2001-02 the production is very high as, Rs.2,82,270 crores and in 2003-04 the production is deficient as, Rs.5,158.80 crores, and it had declined is the year of 2006-07 as Rs.2,067.87 crores. During the period from 2007-08 to 2017-18, the production has recorded an uneven trend with high fluctuations from 8739.95 crores to 58016.79 crores respectively. The variables of investment and production are showing the declined trend due to some policy issues in Tamil Nadu and power shortages before the years 2012 -13.

Tamil Nadu's production and investment are not as high during the period from 2001-02 to 2017-18. In the year 2001-02, the production growth rate was 64.65 percent, and investment growth rate was 35.35 percent respectively. Whereas, in the year 2017-18, the production growth rate was 69.57 percent and investment growth rate was 30.43 percent respectively. Thus, the results clearly show the positive growth trend of all the performance indicators of MSMEs in Tamil Nadu, after the global financial crisis and the implementation of the MSME Act.



The average amount over a period and stability of performance of growth rate of the level of production and investment for Micro, Small and Medium Enterprise (MSME) in Tamil Nadu during the period 2001-02 to 2017-18 presented in Table 4.

TABLE 4
AVERAGE LEVEL AND STABILITY OF PRODUCTION AND INVESTMENT OF MICRO, SMALL AND MEDIUM ENTERPRISE (MSME) IN TAMIL NADU DURING 2001-02 TO 2017-18

Particulars	Investment	Production	Total
Mean (X)	28916.63	55534.28	84450.90
Standard Deviation (S.D)	50154.78	94097.81	144134.58
Co-efficient of Variation (C.V)%	173.45	169.44	170.67

It is inferred from Table 4 that the performance of production, on an average over a period, was found to be higher than the performance of an investment. The average units over the period from 2001-02 to 2017-18 was 55534.28 crores for production, 28916.63 crores for investment and 84450.90 crores for entire growth performance of Micro, Small and Medium Enterprises. The value of the coefficient of variation displays

that the performance production of Micro, Small and Medium Enterprises was relatively stable throughout 17 years compared to the performance of an investment in Tamil Nadu. The trend and growth of investment, production and employment performance of Micro, Small and Medium Enterprises during the period from 2001-02 to 2017-18 in Tamil Nadu are shown in Table 5.

5367

TABLE 5
TREND IN GROWTH OF INVESTMENT, PRODUCTION AND EMPLOYMENT PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES DURING 2001-02 TO 2017-18

Particulars	Trend Coefficient		R ²	Compound Growth Rate in percent
	a	b		
Investment	3.378	0.016* (2.506)	0.593	-10.08
Production	2.546	0.040*(3.887)	0.770	-8.89
Employment	1.064	0.079* (3.232)	0.663	26.62

Figures in brackets represent 't' value

*Significant at 5 percent level.

It is evinced from Table 5 that the trend coefficient was found to be statistically significant for investment, production and employment performance by the Micro, Small and Medium Enterprises. It indicates, on average, it had increased by 1.6 percent for investment, 4.0 percent for production and 7.9 percent for employment per annum. The growth rates are found to be negative -10.08 percent, -8.89 percent, and 26.62 percent for investment, production and employment performance by the Micro, Small and Medium Enterprises.

The value of R² indicates that the variations in investment (0.593), production (0.770) and employment of Micro, Small and

Medium Enterprises (0.663) explain variations independent variables to the extent of 59 percent, 77 percent and 66 percent respectively.

CONCLUSION

The Micro, Small and Medium Enterprise (MSMEs) are an essential segment and plays a critical role in the Tamil Nadu economy. MSMEs will continue to play an essential and vital role in our economy where the twin problems of unemployment and poverty constitute a significant development challenge. There are numerous challenges in the sector of MSMEs. If the Government, Bank and Monetary Institutions will take proper



initiatives in the sector of MSME and they Will take pride while servicing the MSMEs, these challenges can be solved, and the economic growth rate of Tamil Nadu will be 8- 10% for the next decades.

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