

# PERFORMANCE ANALYSIS OF MICRO MEDIUM AND SMALL ENTERPRISES IN COIMBATORE DISTRICT

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## ABSTRACT

The Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last few decades. In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two classes: Manufacturing Enterprises and Service Enterprises. The sector is highlighted as a breeding ground for entrepreneurship at the grass the root level and continues to show dynamism in terms of employment generation, contribution to GDP and export earnings. It contributes significantly to the economic and social development of the country. The broad objective of the present study is to analyze the growth performance of MSME in Coimbatore district with special reference to Ganapathy. The present article is descriptive in nature and is based on Primary data. The socio-economic profile of the respondents and the profile of the MSMEs units were analyzed and concluded that there is lot of potentials for MSME in Coimbatore.

**Keywords: MSME, Enterprise, Development, Entrepreneurship, Coimbatore**

## I INTRODUCTION

A significant feature of the Indian economy since independence is the rapid growth of Micro, Small and Medium Enterprises (MSMEs) sector, the then Small Scale Industries (SSIs) sector. After attaining independence in 1947, the government of India had a great task for rapid industrialization of the country. In the Industrial Policy Resolutions of 1948 and 1956, the small scale industrial sector was given a special role for creating additional employment with low capital investment. Now, the Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last few decades. The sector is highlighted as a breeding ground for entrepreneurship at the grass the root level and continues to show dynamism in terms of employment generation, contribution to GDP and export earnings.

The role of MSMEs in developing and emerging economies is undisputed and is well recognized. Contributing significantly to the employment generation (as a group, MSMEs provide greater level of employment than large firms), poverty alleviation and rural development (MSMEs are capable of pushing economic reforms and modernization of local economies), MSMEs are considered to be the engine of growth, the world over.

As per the quick estimates of MSMEs some statistics with regard to MSMEs in India are (MSME, 2017)

- 32 million MSMEs which creates employment to an estimated 60 million people.
- MSME India sector contributes to 65 per cent of manufacturing output and 45 per cent to total of export sector in national economy.
- MSME has recorded contribution of 30 per cent towards the total GDP of the nation and has registered a growth has rate of 10.8 percent.
- Out of these 32 million MSMEs only 1.5 million are registered and rest (94 per cent) are unregistered enterprises.
- 55 per cent of these MSMEs are mainly distributed in Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Karnataka.
- MSME accounts for the production of over 6000 products in the country.

### Definition of Micro, Small and Medium Enterprises

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two classes:

#### 1. Manufacturing Enterprises

The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries Act, 1951 or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery.

#### 2. Service Enterprises

The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, are as under:

**Table -1 – Limits on Investment**

<b>Manufacturing Sector</b>	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed ₹ 25 lakhs
Small Enterprises	More than ₹ 25 lakhs but does not exceed ₹ 5 crores
Medium Enterprises	More than ₹ 5 crores but does not exceed ₹ 10 crores
<b>Service Sector</b>	
Enterprises	Investment in equipment
Micro Enterprises	Does not exceed ₹ 10 lakhs
Small Enterprises	More than ₹ 10 lakhs but does not exceed ₹ 2 crores
Medium Enterprises	More than ₹ 2 crores but does not exceed ₹ 5 cores

## II OBJECTIVES OF THE STUDY

The broad objective of the study is to analyze the growth performance of MSME in Coimbatore district with special reference to Ganapathy. The specific objectives of the study are as follows:

1. To know the socio-economic status of selected MSMEs entrepreneurs in Coimbatore.
2. To analyse the operational performance of MSMEs in the Coimbatore.

## III RESEARCH METHODOLOGY

The present study is descriptive in nature and is based on Primary data. Convenience Sampling Technique has been used for selection of samples. The population consists of MSMEs that are situated in Ganapathy of Coimbatore district and for the study purpose 100 MSMEs were selected for collecting data. Primary Data collection has been done for both pilot study (15 respondents) and for the final study (85 respondents) with the help of personal interviews by using structured questionnaire during July 2019 to October 2019. The analysis of data was done by using simple statistical tools.

## IV REVIEW OF LITERATURE

**Musara Mazanai, Olawale Fatoki (2012)** Small and medium sized enterprises (SMEs) play a significant role in the economic development of every nation, particularly in developing countries like South Africa. The development of SMEs is seen globally, as a key strategy for economic growth, job generation and poverty reduction. The South African Department of Trade and Industry (DTI) estimates that small businesses employ almost half of formally employed persons, and contribute to 42% of the country's gross domestic product. Start-up SMEs are a key driver of sustainable economic development of the country.

**Sudarsana Murthy D (2016)** examined the performance of MSMEs and revealed that Small Scale Sector was recognized as employment-oriented sector during the early sixties. The employment-oriented thinking for Small Scale Sector underwent changes by the end of sixties and now Small Scale Sector was recognized as an effective instrument to utilize the entrepreneurial potential remained hitherto dormant in the country. The paper identifies the major problems of Micro Small and Medium Enterprises, and suggested fund would also provide access of resources for infrastructure, marketing development and other similar requirements of the sector. These measures are expected to help in accelerating the pace of growth of the sector.

**Alttaf Ahmed and Prof. N. M. P. Verma (2018)** studied the Growth and Performance of MSMEs in Jammu and Kashmir, it revealed MSMEs are the backbone of the country and provide a large number of employees to the youths. It contributes to the growth of Indian economy with the wide network of 36 million units as of today and is providing employment to 80 million people. The sector is contributing about 8 percentage to GDP, 45 percentage in gross manufacturing output and about 40 percentage in export. In recent years MSME sector has registered higher growth rate than the overall industrial sector.

In recent years MSMEs is growing in the state and it had promoted the entrepreneurship development and startup schemes in the state.

**Jeeban Jyoti Mohanty (2018)** has made an attempt to analyze the performance of the MSME sector and will touch upon, in brief, some of the various measures in recent times undertaken by Government of India and SIDBI to advance this vibrant and booming sector. The study reveals that there is an increasing pattern in the number of units, employment, market value of assets. It is significant to note that there exists high degree of relationship between the total factory unit and employment. The study analysis has found that MSMEs has exhibited a good performance in recent years. However, at the same time its challenges are also not ignored. The role of MSMEs sector is growing rapidly and they have become a thrust area for future growth for rural and urban development and its economic upliftment's have a lot of policy implication.

## **V DATA ANALYSIS**

### **A. Socio-Economic Profile of the Respondent**

Table.2 presents the socio-economic profile of the respondents i.e., MSMEs entrepreneurs of Coimbatore district with special reference of Ganapathy.

#### **Age of the Respondents**

Table 2 indicates that the most of the entrepreneur belongs to the age group of 30yrs –40yrs i.e., 54 per cent and second majority belongs to 20 yrs -30 yrs age group with 26 per cent and only 2 per cent of entrepreneur belongs to 50 yrs -60yrs age group.

#### **Gender of the Respondents**

Among 85 entrepreneurs, 55 per cent are male and 44 per cent are female category. Thus, there is more or less gender equality.

#### **Educational Qualification of the Respondents**

Table 2 shows that 36 per cent of the respondents are graduates and 20 per cent of them are diploma holders, only 11 per cent of the entrepreneurs are below higher secondary level. It is obvious that most of them are educated entrepreneurs.

#### **Religion of the Respondents**

It is observed from the table 2 that majority i.e., 80 per cent of the sample respondents belong to Hindu religion, 16 per cent belongs to Christianity and only 4 per cent were Muslim entrepreneurs. So the MSME units in Ganapathy is dominated by Hindus.

#### **Annual income of the family of the Respondents**

Annual income details is depicted in table 2 and it shows that 45 per cent of the entrepreneur's annual income is between ₹ .10,00,000 - ₹ .20,00,000 and only 1 entrepreneur reported that his annual income is more than ₹ .40,00,000. The sample respondents are earning a handful annual income from their business.

### Nativity of the Respondent

It could be seen in the table 2 that majority of the respondents (79 per cent) are the natives of Coimbatore and 21 per cent of the respondents reported that they were migrated from other places.

**Table 2: Socio-Economic Profile of the Respondent**

Variable	Category	Number of Respondents	Percentage
Age	20-30	22	26
	30-40	46	54
	40-50	14	16
	50-60	3	4
	<b>Total Respondents</b>	<b>85</b>	
Gender	Male	47	55
	Female	38	44
	<b>Total Respondents</b>	<b>85</b>	
Educational Qualification	Primary	3	4
	High School	6	7
	Hr. Sec	9	11
	Diploma	17	20
	Graduate	31	36
	Post Graduate	7	8
	ITI	12	14
	<b>Total Respondents</b>	<b>85</b>	
Religion	Hindu	68	80
	Christian	14	16
	Muslim	3	4
	<b>Total Respondents</b>	<b>85</b>	
Marital Status	Single	16	19
	Married	67	79
	Separated	2	2
	<b>Total Respondents</b>	<b>85</b>	
Annual Income of The Family (in ₹ .)	1,00,000-10,00,000	21	25
	10,00,000-20,00,000	38	45
	20,00,000-30,00,000	18	21
	30,00,000-40,00,000	7	8
	40,00,000-50,00,000	1	1
	<b>Total Respondents</b>	<b>85</b>	
Nativity of The Respondent	Local	67	79
	Migrant	18	21
	<b>Total Respondents</b>	<b>85</b>	

Source: Primary Data

### B. Profile of MSMEs

The profile of the MSMEs units like enterprise type, type of the business unit, form of organization, scale of operation, level of success, business premises, number of workers employed and working hours are depicted in table 3.

**Enterprise Type**

Table 3 shows that 93 per cent of MSME are registered while the 7 per cent were under unregistered category.

**Table -3 - Profile of the MSME Unit**

Category		Number of Respondents	Percentage
Enterprise Type	Registered	79	93
	Unregistered	6	7
	<b>Total Respondents</b>	<b>85</b>	
Establishment	Inherited	14	16
	Self-started	71	84
	<b>Total Respondents</b>	<b>85</b>	
Type of the Business Unit	Manufacturing	52	61
	Assembling	4	5
	Processing	14	16
	Service	11	13
	Retailing	4	5
	<b>Total Respondents</b>	<b>85</b>	
Form of Organization	Sole Proprietary	15	18
	Partnership	40	47
	Private Company	28	33
	Cooperative	2	2
	<b>Total Respondents</b>	<b>85</b>	
Scale of Operation	Micro	22	26
	Medium	44	52
	Small	19	22
	<b>Total Respondents</b>	<b>85</b>	
Level of Success	High	18	21
	Medium	60	71
	Low	7	8
	<b>Total Respondents</b>	<b>85</b>	
Ownership of Business Premises	Own	29	34
	Rented	46	54
	Leased	10	12
	<b>Total Respondents</b>	<b>85</b>	
Number of Workers Employed	0-100	22	26
	100-300	48	57
	300-500	13	15
	>500	2	2
	<b>Total Respondents</b>	<b>85</b>	
Working Hours	<8hrs	10	12
	8-10hrs	58	68
	10-12hrs	14	16
	>12hrs	3	4
	<b>Total Respondents</b>	<b>85</b>	

Source: Primary Data

**Type of the Business Unit**

It is evident from the table 3 that 61 per cent of entrepreneurs are owning manufacturing unit, 16 per cent of entrepreneur come under processing category, 13 per cent of entrepreneur are having service unit and 5 per cent of entrepreneur are doing assembling and retailing business. Majority of MSME units in Ganapathy are manufacturing units.

**Form of Organization**

It is observed from the table 3 that 46 per cent and 47 per cent of business units are partnership firms, 33 per cent are Private companies and 18 per cent of business organisation are owned by single proprietor.

**Scale of Operation**

Table 3 shows the scale operation details 52 per cent of enterprises are medium scale enterprises, 26 per cent and 22 per cent of the enterprises are Micro and Small enterprises respectively. There is more scope for medium enterprises in Coimbatore

**Level of Success**

Table 3 indicates that only 8 per cent of the MSMEs have low level of success, whereas majority of the enterprises 71 per cent are running at a medium level of success and 21 are at the high level of success. It is evident that majority of the MSME units in Coimbatore are running successfully.

**Ownership of Business Premises**

Among 85 enterprises, 54 per cent of the entrepreneurs run their business in rented building, 34 per cent of the respondents have their own building and whereas 12 per cent of business premises are under lease.

**Number of Workers Employed**

Total number of workers employed in MSMEs is reported in table 3. Majority of the enterprises 57 per cent MSMEs have employed more 100 workers and only 2 per cent of the MSMEs have employed more than 500 workers.

**C. Performance of Selected MSMEs**

Table 4 shows the performance of MSMEs indicated the enterprises compliance, source of capital, availed credit facility, source of credit/loan and marketing area.

**Enterprises Compliance**

Enterprise compliance as shown in table 4 reveals that 21 per cent MSMEs are Startup units (less than 3 years), 54 per cent MSMEs come under growth stage (6-9 years), 14 per cent and 11 per cent MSMEs come under sustenance stage (more than 9 years) and survival stage (3-6 years) respectively. Majority of the MSME units are in the growth stage.

**Source of Capital**

Table 4 shows the source of capital details, 67 per cent of MSMEs have borrowed capital/money for the investment purpose and 33 per cent of MSMEs have their own source of capital investment. Majority of the respondents (67 per cent) MSME units availed credit facilities.

### Source of Credit/Loan

Majority of the respondents (67 per cent) MSME units borrowed money and out of this 60 per cent of the units availed bank credit facilities. Table 4.3 shows that 28 per cent of the entrepreneur borrowed money from their family and relatives and 12 per cent of the respondents borrowed money from their friends.

### Marketing Area

It is inferred from the table 4 that 52 per cent of the enterprises market their products within the district and 42 per cent of the respondents market their products within the state. Only 1 MSME unit export their product.

**Table - 4 –Performance of selected MSMEs**

Indicators		Number of Respondents	Percentage
<b>Enterprise Compliance</b>	Startup(<3yrs)	18	21
	Growth(6-9yrs)	46	54
	Survival(3-6yrs)	9	11
	Sustenance(>9yrs)	12	14
	<b>Total Respondents</b>	<b>85</b>	
<b>Source of Capital</b>	Own	28	33
	Borrowed	57	67
	<b>Total Respondents</b>	<b>85</b>	
<b>Source of Credit/Loan</b>	Banks	34	60
	Family/relatives	16	28
	Friends	7	12
	<b>Total Respondents</b>	<b>57</b>	
<b>Marketing area</b>	Within District	44	52
	Within the State	36	42
	Within the Country	4	5
	Outside the Country	1	1
	<b>Total Respondents</b>	<b>85</b>	

Source: Primary Data

## IV SUMMARY AND CONCLUSION

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavors through business innovations. The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital

cost, next only to agriculture. The role of MSMEs in developing and emerging economies is undisputed and is well recognized, contributing significantly to the employment generation, poverty alleviation and rural development, MSMEs are considered to be the engine of growth. The present study also reveals that the scope for the growth of MSME units in Coimbatore district is more and it has a significant contribution to the development of industries in the district.

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