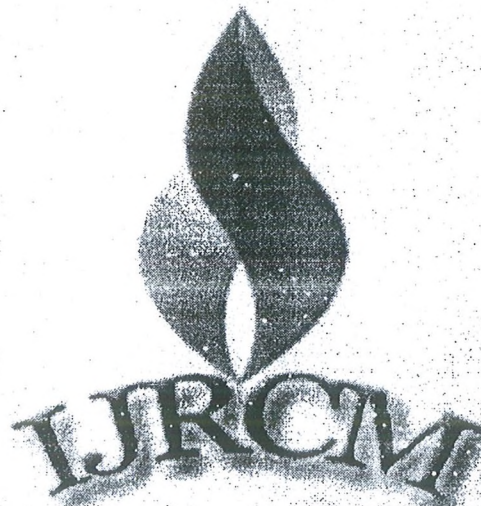


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GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA IN POST GLOBALIZATION PERIOD

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ABSTRACT

Micro, Small and Medium enterprises play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. In terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of India in 2010. A research study on 'Growth and performance of micro, small and medium enterprises in India in post globalization period' was undertaken with the objectives of studying the growth of number of micro, small and medium enterprises, capital invested, labour employed, output and exports in, finding out the instability in the growth of micro, small and medium enterprises in post globalization period. The study was related to 1992-93 to 2010-11. The data for the study were compiled from the Annual Report of Micro, Small and Medium enterprises published by the Ministry of micro, small and medium enterprises, Government of India. The study estimated compound growth rate, Coppock's instability index and Frontier production function. As per the study, in the post globalization period the compound growth rate of number of MSMEs, fixed investment, production, employment and exports was significant. There had been more instability in the number of MSMEs in the post globalization period as compared to fixed investment, production, employment, exports. To improve the performance of micro, small and medium enterprises the study recommends increasing the number of items to be reserved for exclusive manufacture in micro and small enterprise sector and providing support in the field of skill development, credit marketing, technology and infrastructure.

KEYWORDS

Growth, MSMEs, Globalization, Instability, Performance.

INTRODUCTION

Micro, small and medium enterprises are exclusively identified for promotion in the manufacturing sector of most of the national economies. Micro, Small and Medium Enterprises (MSMEs), including khadi and village/rural enterprises are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. They also play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit.

The most important justification for the exclusive promotion of MSMEs is their potential for employment intensity. MSME generates more jobs per unit of capital investment than a large enterprise; it can be started with relatively less capital; it facilitates nurturing of entrepreneurship; and it can be used as an instrument for alleviating regional disparities in development.

It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. The sector is estimated to employ about 595 lakh persons in over 261 lakh enterprises throughout the country (Annual Report of MSME 2011-12). Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. It is well known that the MSMEs provide good opportunities for both self-employment and wage employment.

Globalization is seen as the conversion of the World into a single economic space one macro-economy, or perhaps mega-economy. Globalization the process of continuing integration of the countries in the World is strongly underway in all parts of the globe. While the movement of goods, services, ideas, capital and technology across national borders is not a new phenomenon, its process since the past decade marks a qualitative break with the past. This process is characterized by national Governments across the World moving towards more open and market-oriented regimes, with greater reliance on private business and less direction of allocation of resources.

The globalization of economic activity affects the development of small and medium-sized enterprises (SMEs) mainly in two ways:

- It opens up new opportunities for outward expansion and growth. These fast-growing SMEs are important to the world economy; and they in fact play an important international role, directly productizing about 26 percent of OECD exports and about 35 percent of Asia's exports.
- Further, inward globalization poses new competitive challenges. Different SMEs are affected in different ways: The firms that are able to become, internationally competitive are likely to be advantaged, and they make up about 25 percent of manufacturing SMEs. Those less likely or unable to adapt are at risk as a result of globalization pressures and will probably not survive in their present form without significant changes to improve factors such as output quality, costs competitiveness and management practices.

Globalization offers an environment within which SMEs have to increasingly compete and perform. While some of their traditional markets have shrunk, the market opportunities in some other areas have increased. It is important that these rapid changes are quickly understood and corrective measures taken without delay. In this context a research study on 'Growth and performance of micro, small and medium enterprises in India in post globalization period' was undertaken with the following objectives.

1. To study the growth of number of micro, small and medium enterprises, capital invested, labour employed, output and exports in post globalization period
2. To find out the instability in the growth of micro, small and medium enterprises in post globalization period and
3. To analyse the performance of micro, small and medium enterprises in post globalization period.

METHODOLOGY

The study was related to 1992-93 to 2010-11. The year 1992-1993 was chosen since globalization was introduced in 1991. The study was related to 2010-11 since it is the latest year for which the required data are available. The data for the study were compiled from the Annual Report of Micro, Small and Medium enterprises published by the Ministry of micro, small and medium enterprises, Government of India.

HYPOTHESIS FORMULATED

1. There is no significant growth in the number of MSMEs, capital invested, labour employed and output produced in India in the post globalization period and
2. There is no instability in the number of MSMEs, fixed investment, production, employment and exports in India in the post globalization period.

TOOLS USED**1. COMPOUND GROWTH RATE**

To assess the growth of number of micro, small and medium enterprises, capital invested, labour employed, output produced and exports compound growth rate was calculated. The formula used was

$$Y_t = Ab^t$$

Y = Selected variable;

A = Constant;

t = Time period;

b = Co-efficient of time period.

Compound growth rate = $\text{Antilog}(b-1) \times 100$.

2. COPPOCK'S INSTABILITY INDEX

To find out the extent of instability in the number of MSMEs, capital invested, labour employed, output produced and exports, Coppock's instability index was calculated.

Coppock's instability index is

$$V \log = \frac{\sum \left[\frac{\log X_t - 1}{Y_t} \right] - m}{N}$$

The instability index = $(\text{antilog } \sqrt{V \log - 1}) \times 100$.

where,

X_t = Number of micro, small and medium enterprises, capital invested, labour employed, output produced and exports.

3. FRONTIER PRODUCTION FUNCTION:

The frontier production function was estimated to analyse the contribution of labour and capital to total output.

$$\ln Y = \beta_0 + \beta_1 \ln X_1 + \beta_2 \ln X_2$$

where,

Y = Value of output (in Rupees);

X₁ = Capital invested in rupees;

X₂ = Number of labourers employed;

The frontier production function was estimated by using Front 4.1 version.

FINDINGS OF THE STUDY**A. GROWTH OF NUMBER OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA IN THE POST GLOBALIZATION PERIOD**

Table-I provides the information on the number of micro, small and medium enterprises, investment, employment, production and exports in the reference period.

TABLE-I: TREND IN THE GROWTH OF MICRO, SMALL, MEDIUM AND ENTERPRISES IN INDIA IN THE POST GLOBALIZATION PERIOD - 1992-93 TO 2010-11

Year	MSMEs (lakh numbers)	Fixed Investment (Rs. crore)	Production (At current prices) (Rs. crore)	Employment (lakh persons)	Exports (Rs. crore)
1992-1993	73.51	109623	84413	174.84	17784
1993-1994	76.49	115795	98796	182.64	25307
1994-1995	79.6	123790	122154	191.4	29068
1995-1996	82.84	125750	147712	197.93	36470
1996-1997	86.21	130560	167805	205.85	39248
1997-1998	89.71	133242	187217	213.16	44442
1998-1999	93.36	135482	210454	220.55	48979
1999-2000	97.15	139982	233760	229.1	54200
2000-2001	101.1	146845	261297	238.73	69797
2001-2002	105.21	154349	282270	249.33	71244
2002-2003	109.49	162317	314850	260.21	86013
2003-2004	113.95	170219	364547	271.42	97644
2004-2005	118.59	178699	429796	282.57	124417
2005-2006	123.42	188113	497842	294.91	150242
2006-2007	261.01	500758	709398	594.61	182538
2007-2008	272.79	558190	790759	626.34	202017
2008-2009	285.16	621753	880805	659.35	N.S
2009-2010	298.08	693532	982919	695.35	N.S
2010-2011	311.52	773487	1095758	732.17	N.A

Source: Annual Report of MSME-Ministry of micro, small and medium enterprises, New Delhi.

In the reference period the number of MSMEs increased from 73.51 lakhs in 1992-1993 to 311.52 lakhs in 2010-11. There had been phenomenal growth in the number of MSMEs in 2006-07. Fixed investment in micro, small and medium enterprises had increased from Rs.1,09,623 crores in 1992-93 to 7,73,487 crores in 2010-11. Similarly the number of labourers employed in MSMEs increased from 174.84 lakhs in 1992-93 to Rs.732.17 lakhs in 2010-11. In the reference period production in MSMEs increased from Rs.84,413 crores to Rs.10,95,758 crores. The value of exports increased from Rs.17,784 crores in 1992-93 to Rs. 2,02,017 crores in 2007-08.

B. ESTIMATED COMPOUND GROWTH RATE OF NUMBER OF MSMEs, CAPITAL INVESTED, LABOUR EMPLOYED, PRODUCTION AND EXPORTS IN POST GLOBALIZATION PERIOD:

Table-II represents estimated compound growth rate of number of MSMEs, capital invested, labour employed, production and exports in post globalization period.

TABLE-II: ESTIMATED COMPOUND GROWTH RATE OF NUMBER OF MSMEs, CAPITAL INVESTED, LABOUR EMPLOYED, PRODUCTION AND EXPORTS IN INDIA IN POST GLOBALIZATION PERIOD

S. No	Variable	Constant	Compound growth rate	T	R ²
1	Number of MSMEs	4.04	8.27	28.39**	0.98
2	Fixed Investment	11.21	10.69	6.43**	0.72
3	Production	11.26	14.83	32.16**	0.99
4	Employment	4.87	8.45	5.71**	0.67
5	Exports	9.83	15.35	7.24**	0.79

Source: Calculated figures based on the data compiled.

** Statistically significant at 1 percent level.

From Table-II it is evident that in India in the post globalization period the compound growth rate of number of MSMEs, fixed investment, production, employment and exports was significant as evident from the calculated t value.

C. ESTIMATED INSTABILITY INDEX IN THE NUMBER OF MSMEs, FIXED INVESTMENT, PRODUCTION, EMPLOYMENT AND EXPORTS IN INDIA IN THE POST GLOBALIZATION PERIOD

Table-III represents the estimated Coppock's instability index in the number of MSMEs, fixed investment, production, employment and exports in India in the post globalization period.

TABLE-III: ESTIMATED INSTABILITY INDEX IN THE NUMBER OF MSMEs, FIXED INVESTMENT, PRODUCTION, EMPLOYMENT AND EXPORTS IN INDIA IN THE POST GLOBALIZATION PERIOD.

S. No	Variable	Coppock Instability Index
1	MSMEs	53.28
2	Fixed Investment	12.47
3	Production	10.73
4	Employment	11.69
5	Exports	10.95

Source: calculated figures based on the data compiled.

From Table-III it is evident that there had been more instability in the number of MSMEs in India in the post globalization period as compared to fixed investment, production, employment, exports. The production seemed to be more stable since the estimated Coppock's instability index was lower for production.

D. ESTIMATED FRONTIER PRODUCTION FUNCTION

The current study tried to estimate the Frontier production function by using the software Frontier 4.1 version. The estimated production function was

$$Y = 4.2 + 0.68X_1 + 0.41X_2$$

(1.83) (2.46)*

R²=0.72

The estimated production function indicated that there had been increasing returns to scale since the addition of capital co-efficient and labour co-efficient was greater than one. The estimated production function was statistically valid as indicated by R² value.

RECOMMENDATIONS

To improve the performance of micro, small and medium enterprises the study recommends the following measures:

1. MSMEs are to be encouraged to modernize to face the challenge arising out of globalization of the economy;
2. There is need for increasing the number of items to be reserved for exclusive manufacture in micro and small enterprise sector;
3. With a view to build the capacity of the Indian micro, small and medium manufacturing enterprises for overcoming competition in the global markets and facing challenges being posed by the entry of the multinationals in the domestic markets, the national manufacturing competitiveness programme needs to be implemented in all the States and
4. There is a need for providing support in the field of skill development, credit marketing, technology and infrastructure;

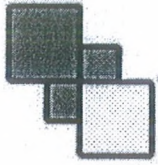
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INTERSTATE DISPARITY IN PARTICIPATION IN PRIMARY EDUCATION IN INDIA

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ABSTRACT

Education develops basic capabilities of the people thereby increasing productivity in the economy. Primary education plays an important role in laying proper foundation of the intellectual, physical and social development of the children. In this context a research study on "Interstate Disparity in Participation in Primary Education in India" was formulated with the objectives of finding out the gross enrolment ratio, dropout ratio and identifying the determinants of interstate disparity in participation in primary education. The study was related to 17 major States of India. The required data was compiled from Selected Educational Statistics – 2010-11. The study calculated Theil's index and applied discriminant analysis. As per the study, the enrolment ratio of All categories of boys was the highest in Bihar (131.3percent) and lowest in Haryana (90.6 percent), and State domestic product and number of teachers respectively accounted for 27.73 percent and 21.81 percent of the variation in participation in primary