



## PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES: A STUDY OF RAJOURI DISTRICT OF (J&K)

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### ABSTRACT

**T**he present study is restricted to District Rajouri of Jammu and Kashmir. To find out the relationship between the Small and Medium enterprises and its impact on the performance of SMES have been examined to set the benchmark for the newly SMES. There are seven tehsils in District Rajouri. Three tehsils were selected because of their market potential and availability of registered units, out of 200 selected enterprises (187 small and 13 medium enterprises) were selected with simple random sampling method. It is apparent that 85 % of the enterprises are managed by male and 15 % enterprises are managed by females. It reveals that male participation is very high as comparison to females. To know the performance of the Small and Medium Enterprises of the study area ANNOVA has been applied between the groups and within the groups and the p value for this test was (.0033). This was significant. It shows that SMEs are performing well in the study area.

**KEY WORDS:** Enterprises, Economy, Performance, Development, Small & Medium

### 1. INTRODUCTION

Micro, Small and Medium Enterprises are considered as a highly active and source of livelihood in the overall Indian economy over the last few years. When we talk about the contribution of this sector in the overall GDP the total share of this sector is 37.54% in which services sector occupy the 30.50% and the manufacturing sector 7.04 % for the year 2012-13. Micro Small and Medium Enterprises are not only providing employment avenues at a very cheap cost but also providing industrialization of rural areas into urban development. So it helps in reducing the imbalances in the regions and assuring the more equitable distribution of national income. Moreover the Micro Small and Medium Enterprises are considered as a large unit in the whole world as well as in the India and this sector also contributes in the overall socio economic up gradation of the society.

The Micro Small and Medium Enterprises act as an engine in the upliftment of the nation as a whole by providing employment in the manufacturing sector. It also helps in the eradication of poverty through exports and imports. The Small and Medium Enterprises has shown a consistent growth in the manufacturing sector when we compare to the other sectors. There are 6000 products which were being manufactured by these enterprises. As we know that MSMEs sector has showed a remarkable progress in the Indian economy than the other sectors. It is only possible due to conducive policy environment and post liberalization. MSMEs act as place of pride being the largest industry in the India; moreover the contribution of this sector is very crucial and maintained a sustainable balance in the Indian economy. This sector has widespread in various areas like manufacturing export products. It is

the matter of honor and pride for the resident of this sector that after serving in the Government sector and get a chance to adjust in this sector and run their livelihood. Previously it was called as Small Scale Industry and an apex body was framed named as (SIDO) Small Industries Development Organization which was set up in 1954 and act as controlling body for the overall growth and maintenance of the said sector. After that a new policy for the industrial sector came into existence. The main aim of new industrial policy 1991 was: before 1991 the Indian industries were under the control of bureaucrat and after the existence of this act the control of the bureaucrat has been removed and considered as an independent unit. Secondly the liberalization has been introduced so that Indian industrial structure should integrate with the world economy. Moreover the restrictions were also removed on Foreign Direct Investment and the MRTP act has been completely abolished and the load of the public enterprises were also discarded. (SIDBI) has been came into force for the betterment of the industrial unit in which various initiatives has been taken place with regard to technology development, modernization and support to technical services.

The concept of Small Scale Industry has been replaced in MSME Development Act 2006 and the new name came into existence i.e. Micro Small and Medium Enterprises and the investment limit has been increased. After the long awaited period the recognition was given to the industrial structure with clear identification. In 2007 another package has given by the central Government for the promotion and up gradation of the units with the changing market scenario in which various schemes has been launched which have a direct impact on the development of the sector

**The (MSMED) came into existence in 2006**, with a view to strengthen the Industrial sector and make policies to upgrade the MSMEs under the proper guideline of Ministry of Micro Small and Medium Enterprises. In this act all the doors are opened for the continuous progress of the sector with the consent of Governor of Reserve Bank of India. The main important point of this act is that the recognition was given to this namely Micro Small and Medium Enterprises, moreover various schemes and concerning policies are fixed and implemented on this date 2006. MSMEs sector has got remarkable progress and tremendous potential with the initiation of this act. This act gave the industrial structure a proper recognition and distinguished from one another. After the 1956 Act of Small Scale Industry the MSMED 2006 came to be known as the remarkable time for the MSMEs in its history.

Moreover this sector also covered the servicing sector in the category of MSMEs and has fixed the investment limit in the manufacturing as well as servicing sector in India. This act defines Micro Small and Medium Enterprises as follows:

## 2. REVIEW OF LITERATURE

Review of the literature was done by keeping in view the objectives of the study. After reviewing the existing literature, it was found that there are so many variables of SMEs which are vital in enhancing economic condition of the country and promoting entrepreneurship in the area. The review of the literature helps in tracing the research gap as mentioned below. The various research journals which have been reviewed for the study could be identified as:

Baumol (2011), Through the right support from the institutional as well as non-institutional associations, micro entrepreneurs can strengthen their own capacities besides contributing in both family and national earnings. **Ishu Garg & Suraj Walia (2012)** has stated that Micro Small and Medium Enterprises has emerged as growing sector in the Indian Economy and it is the dynamic component of Indian economy and by virtue of very important contribution in GDP industrial output and exports of the country. However, the contribution in employment generation is very much beneficial which the second to agriculture in India is. As per the recent record and the data available it has been shown that the employment in agriculture sector has been showing decline over the past few decades. Moreover the large industries also have shown job less growth **Mathauer and Imhoff (2006)** studied serious human resource management crises in the health sector in developing countries, particularly in Africa, which has the low motivation for health workers. The objective of this was to explain the role of effective management being implemented in a better way in order to maximize health worker motivation in a developing country. The paper assessed the role of management practices organized for motivating purpose in two cases, in Benin and Kenya. The last part of interview focused on motivation and motivational determinants. **Evis Kushi & Enkela Caca (2010)** The final section of this provides the main findings with appropriate solutions for the next generation policy makers such as public authorities and hotel managers so that the priorities of the concerned Govt should be increased for the development of holiday hotels sector an tourism sector in Albani. The results of the findings indicate that the hotel sectors in Albania is characterized by the dominance of Micro and Small Enterprises. But the

average number of rooms available for the tourist is almost 27. Only 4% of the total hotels are big hotels and the majority of the other are micro and small hotels. The main problem of these hotels is that these hotels cannot tackle the prevailing demand of the individual clients or small group of tourists and also not in a position to make arrangements for the groups organized in package tours by the western operators. **Javed Mahmood Jasra (2011)** In this study the total sample size was 520 small and medium enterprises of the business. The self administered questionnaire was framed and distributed among the people. Response of the questionnaire was obtained. He stressed upon the role of socio economic status on the development of the industries. Socio economic factor will automatically influence the succession of the Small and Medium Enterprises. **McKenna (2005)** has suggested that almost all the MSMEs and their entrepreneurs in Singapore are fully inculcated in the management of their own business. According to the findings of the paper the development and growth of small and medium enterprises is closely linked with the method and the way in which entrepreneurs managed their organizations and also the understanding of the degree of their commitment. In this way the Micro Small and Medium Enterprises are efficiently managed and efficiency can be increased. This paper also deals with the entrepreneurial characteristics and their role in managing the business especially Micro Small and Medium Enterprises. Whereas the previous theories relate the business commitment form different criterion such as application of commitment in relationship marketing and a rigorous analysis of the facets of work commitment etc. **Chunyou and Wang (2011)** hypothesized that the experience of the entrepreneur is one factor that explains the difference in external financing levels available to SMEs. The findings of the study proved this hypothesis. They further explained that prior experience in the industry positively correlates with the share of external financing in the firm and added that the cumulative experience of the owner-manager plays a crucial role in overcoming some of the problems that hinder SME access to external finance, including information asymmetry and moral hazard. **(Hunjra, 2011)** found the impact of Small and Medium Enterprises on the development of the economy. He has done research on the Albania and focused on the Albanian Economy and critically examined the challenges and prospects of MSMEs and the effect of this sector in the economic development. He had studied the literature pertaining to the Albanian economy and the role of SMEs on the development process.

## 2.1 Research Gap:-

After going through the existing literature and other published data, it was found that majority of the papers have focused on human resource management, supply chain management in SMEs, role of SMEs in economic growth etc. government schemes for micro small and medium enterprises. Present study takes a step ahead by finding the relationship between the SMES and its impact on the employment in the study area, Moreover there are so many problems which have identified in this area related to Entrepreneurs, further the performance of SMES have also been examined to set the benchmark for the newly SMES. The fact is that no one has taken this subject as a research work yet. Hence the present study tends to bridge the gap between previous studies and this study by considering the following aspects.

## 2.2. Objectives of the study:-

The objectives of the study have been framed after reviewing the existing literature pertaining to the study. These below mentioned objectives help in fulfilling the identified research gap.

1. To study the socio economic status of entrepreneurs under the study area.
2. To judge the performance of Small and Medium Enterprises in the study area.
3. To suggest the future prospects of Small and Medium Enterprises in District Rajouri

## 2.3. Research design and methodology:-

The study is empirical in nature. Following steps were taken to make it more objective and accurate. In order to purify the data, items under different parameters were included to cover all the aspects which are associated with the SMEs. The statements of self designed schedules were finalized by using the likert scale. Some negative statements were also added to cross check the responses. These statements were later reversed at the time of data feeding in the software.

## 3.1 Sample design and data collection:-

The present study is confined to District Rajouri. There are seven tehsils in District Rajouri. Out of seven tehsils of Rajouri district, three tehsils were selected for the study namely Rajouri, Sunderbani, Kalakote, purposively. These tehsils are selected because of their market potential and availability of registered units. Moreover these tehsils are centrally located as comparison to other area and there are more chances of expansion of existing units and also for new entrepreneurs. The study is confined to Small and Medium enterprises in Rajouri district. The total population of industrial was 989 units including micro enterprises out of which 200 enterprises

(187 small and 13 medium enterprises) were selected with simple random sampling method. The medium enterprises belong to services sector. To determine the sample size, a pilot survey of 50 respondents was conducted to work out the mean and standard deviation in the population with the insights taken from the formula given by Mukhopadhy. Data has also been collected from the registered enterprises.

To check the internal consistency, Cronbach's alpha has been used. Alpha value of  $> 0.7$  was observed for all the statements signifying the reliability of the data.

### 3.2 Statistical tools applied:-

The information collected through self designed schedule was analyzed and interpreted with the help of appropriate statistical tests. In order to understand the demographics of the respondent mix, descriptive statistics namely percentage, mean and standard deviation and ANOVA was employed. Factor analysis was used to club the traced dimensions of performance, problems, impact and profit generation into eight variables. To study the socioeconomic status of entrepreneur's descriptive statistics has been applied, to examine the performance of SMEs ANNOVA has been used, Moreover to check the relationship between the profit and the size of enterprises co relation analysis has been used, to know the contribution of SMEs in the employment t-test was applied. After rationally ordering the collected data, it was subjected to Statistical Package for Social Sciences. The data was consequently subjected to various statistical tests with the help of SPSS software (version-17.0).

## 4. ANALYSIS OF THE STUDY

### Demographic profile:-

Out of 200 respondents selected for the study, 172 were males and 28 were females. Majority of them belonged to the age group of 31- 36 years and minimum in the age group of 20-25. Qualification wise they were segregated as graduate (47.3%), undergraduate (43%), Post graduate (4.5%) and professional (2%) others background (2%). Most of them were in the income group of Rs. 26000.

To know the performance of the Small and Medium Enterprises of the study area ANNOVA has been applied between the groups and within the groups and the p value for this test was (.0033). This was significant. It means that SMEs are performing well in the study area,

## 5.HYPOTHESES TESTING

### H-1. The firm's profit increase as the size of the firm increases.

$OPG = 1.214 + .811 OSI$ , where OPG stands for Overall Profit Generation, is intercept or constant, represents

the slope of the line and OSI represents Overall Size Increase.

Here, Overall Size Increase has been taken as independent variables and Overall Profit Generation has been taken as dependent variable. It is evident that when Overall Size is increased by one unit the Overall Profit Generation increases by 0.811 which is statically significant at t- value of 3.159.

Hence we can conclude that as the size of an enterprise increase, profit generation also tends to increase simultaneously

### H-2. The Small enterprises contribute better in employment as Comparison to Medium

After subjecting the data to the t-test the value which was found was 3.649 with significance value of 0.032 this also strengths the same statement. Hence, the second hypothesis stands also accepted.

## 6.RESEARCH FINDINGS

The main findings pertaining to aforesaid objectives of the study were summarized as below:-

- ☆ Maximum entrepreneurs are in the age group of 31- 35 years and minimum in the age bar of 20-25 years.
- ☆ About 85 % of the enterprises are managed by male and 15 % enterprises are managed by females. It means that male participation is very high as comparison to females. This paragraph suggest us that in spite of encouraging the female employees /entrepreneurs to get indulge into the SME still the female from the Rajouri district is lacking behind.
- ☆ Maximum participation of entrepreneurs is from the candidates having qualification Graduation and 12th standard and the higher qualified and professional candidates are very less.
- ☆ Majority of the enterprises have shown growth in profit generation in the last two years.
- ☆ Small enterprise provides large number of employment as comparison to medium
- ☆ Enterprises. Because Small enterprises are large in number as comparison to Medium Enterprises
- ☆ Among the 989 units only 13 are Medium enterprises including the servicing sector like hotels and restaurants etc.
- ☆ The Rajouri district is lacking the industrial structure in terms of medium enterprises due to the lack of infrastructure and the machineries. There is a need of huge amount of money and

infrastructure to enhance the industrial scenario in the district.

- ☆ The most severely affecting problem which affects the entrepreneurs is credit facility.
- ☆ Moreover the lack of well trained employees is also a problem for the small and medium enterprises

## 7. CONCLUSION AND SUGGESTIONS

The collected data were analyzed and interpreted using methods as described in the topic research methodology of the thesis. On the basis of analysis and interpretation, conclusions regarding the subject are drawn. Conclusions are verified and checked with the help of statistical tools. These tests are conducted in order to verify the hypothesis in order to bring out a clear picture of management and Performance of Small and Medium Enterprises of Rajouri District. The researcher proposes to arrive at certain recommendations and suggestions. These are as follows.

- ◆ There should be possible measures to increase the participation of younger's in the business and other social organisations.
- ◆ Govt has set up various agencies for the encouragement of the qualified and professional candidates to participate in the entrepreneurship. But every possible effort should be taken to increase the number of candidates to indulge in the entrepreneurship so that economy of the study area can be increased.
- ◆ Financial constraints in the Small and Medium Enterprises are to be analysed and a benchmark has to be framed in this regard which help to decide the strategies for the future course of action. Every organisation should have a proper record of the financial portfolio and they can estimate the profit and losses incurred in the previous years so that a clear picture can be seen in terms of the financial growth.
- ◆ Government must clear policies and programmes for the Small and Medium Enterprises which are being operationalised and create logistics facilities for the survival, sustenance and growth.
- ◆ There should be the maximum participation of females in the SMEs.
- ◆ DIC and other Governmental agencies should have conduct proper monitoring for the beneficiaries benefitted from them so that right candidate can take the benefit and the started units can survive and also can escape for the

industrial sickness which is a major disease for the Industries now a days.

- ◆ Govt. should launch special schemes for educated youth to involve more and more qualified persons in the management of enterprises in the concerned district so that better planning and management can be brought out besides waiting for the Govt jobs.
- ◆ There is a need to open the innovative type of enterprises which will manufacture the market oriented products that will not only fulfil the needs of the local residents but also cater to the need of rest of the people.
- ◆ State Govt should have to tie up with the Centre Govt and set up a consultancy organisation to provide feasibility reports of products which can be manufactured there and give up dated technology linkage of the industry and other sectors and to impart Entrepreneurship Motivation Training to the Aspirants or forthcoming entrepreneurs and open the mega unit which provide employment opportunities to the large scale like Chenab Textile Mill in Kathua and other pharmaceutical company in Samba.
- ◆ Training to human resources should be imparted not only at the initial stages, but should be carried out on interval basis.
- ◆ There are adequate resources available in the study area, but efforts should be taken to utilize them in proper way.
- ◆ There should be establishment of allied units in the study area, so that the raw material available in the area are utilised here instead of exporting to the other states which will result in the production of cheaper products and generate employment opportunities in the study area.

## 8. Limitations of the study:

Although the study was carried with utter care pertaining to Small and Medium Enterprises in the Rajouri, but still certain loop holes might be left due to various factors involved. The study is area specific and the variables which were traced in the study might not be applicable to the same extent in the other areas. Since in the study area, so the study has been carried out with respect to this area and the findings might not be applicable in the other areas. Hence this may be the certain limitation of the study.

**9. Future research:**

1. During the study, several dimensions of Small and Medium Enterprises with respect to the study area have been traced but there is still scope for further research in this area as some other dimensions are there which the study has not been able to reveal. Further researchers could be motivated to carry out the studies to explore those unidentified dimensions.
2. As far as this study is concerned researcher has focused on small and medium enterprises but micro enterprises' should be taken into consideration for future research.
3. The study has focused on the registered units under District Industry Centre and other institutions. Whereas there are also non registered units operating in this area needs to be explored in future.
4. The study is focused on the management and performance of SMEs and the impact of SMEs in the employment generation etc. a comparative study could be possible in the future research.
5. The sample size could be increased by adding micro enterprises so as to cover uncovered aspect of the study.

It summarizes the findings of the study and also provides the necessary inputs and insights to be used for the benefits of aspiring entrepreneurs and policy makers.

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