# Growth and Performance of MSMEs in Poonch District: Prospective and Challenges

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**Abstract: The purpose of this paper to explore the Micro, Small and Medium Enterprises in one of the backward district (Poonch) of Jammu and Kashmir UT. The paper represents the performance of MSMEs and also discussed various problems faced by these units in the district. The paper is prepared after a deep literature review and finding a research gap. It is based on the secondary data collected from the District Industries Center (Poonch). The study is based on thetime series data of 17 years, compound annual growth rate and multiple regression analysis is used to analyse the data. The study found that there is a significant relationship between Employment and Number of Units, Investment and Production. The study also discusses the various problems faced by MSMEs in the study area and also suggests measures to improve it.**

**Key Words: DIC, MSMEs, Districts, Problems, Employment, Investment, Production**

## Introduction:

Micro, Small and Medium Enterprises form a significant part of economic growth both in developing and developed countries. It provides livelihood, equal distribution of income and balanced development in India. MSMEs are the backbone of the country and the economic growth of the country is mostly dependent on MSMEs then large industries. It provides a large employment in Indian economy at low cost than large industries. The sector performs an important role in socio-economic development of the country. MSMEs provide 69% employment to Indian workforce and play a significant role in providing employment to the rural and semi-urban area. In the financial year, 2017 states that 36.2 million MSMEs are working across Indiaand it contributes to 45% of manufacturing output and 40% to export to the country.MSME sector is contributing 8% in country GDP by employing 80 million people and producing more than 8000 value-added products. Furthermore, the sector is nurturing the entrepreneurship in the country which a new emerging sector in the economy. MSME sector is also facing many challenges in finance, marketing, technology and many other consultancy services.

Jammu and Kashmir is the northernmost part of the country, which shares the border with Pakistan, China and Afghanistan. The state has three regions: Jammu, Kashmir and Ladakh. J&K is famous for its natural beauty and it attracts the tourist all over the world. It is said that January-October 2017, J&K has 7.31 million tourists are recorded. Gross State Domestic Product (GSDP) of J&K, at the current price, is estimated at 11.61% in 2017-18. J&K is the industrial backward state due to unable to attract investment in the manufacturing sector. J&K is the most disputed state and due to political instability and poor infrastructure, the state is industrially backward. From last few years, the political instability is growing continuously which leads to poor infrastructure and increasing the level of unemployment. Large-scale industries are absent in the state and only MSMEs are working in the state. From

few years MSMEs is growing in the state at the end of 2014, the total number of MSMEs in the state was 57193, which provide employment to 277653 peoples. Districts Industries Centres were established in all the districts of the state to simplifying the registration process.

Poonch is the most backward district of Jammu and Kashmir state. It is known as mini Kashmir due to its natural beauty. It separated from Kashmir valley by PirPanjal range of mountains. It is located on LOC (Line of Control) and comprised of six tehsils which were earlier only three. Most popular achievement of government is "Mughal Road" which connects the Poonch district with Shopian (Kashmir). The district is rich in forest and the total area covered by forest is 951 sq. Km. According to census 2011, the district has a population of 476,820, which has 548th rank in India. The population growth rate from 2001 to 2011 was 27.97% and the literacy rate of the district is 68.69%.

According to the Industrial profile of Poonch district, the total number of registered industrial units in the district is 610. Only micro units and few smalls are working in the district, medium and large scale industries are not working there.

**Scope of the Study:**

This study will help the researcher, industrialist and entrepreneurs for their future perspective. This is a unique study that elaborates the condition of MSME in one of the backward district of the state and explores the new area of research.

**Literature Review:**

**Srinivas. K. T. (2013),**in his study entitled with Role of MSMEs in inclusive growth, stated that both state and central government had to make changes in this sector, except it, there is lack of marketing facilities, poor infrastructure and finance problem persist there. The govt. is not reached up to mark for the upliftment of MSMEs in India. The study concluded that MSME is an engine of economic growth in India, so there is need more improvement from govt. side to upgrade this sector also entrepreneurship development a new initiative of government will promote the MSMEs in India.

**Ghatak.Shambhu (2010),**stated that India MSMEs are better than the neighbor countries. Pakistan SMEs have only 36% bank account and about 46% SMEs have a bank account in Bangladesh whereas in India 95percentage SMEs has a bank account. The study "MSMEs in India" needs more improvement to accelerate the growth of this sector.

**Venkatesh and Muthiah (2012),**analyzed that the role of MSMEs is growing rapidly in the industrial sector. It also becomes a thrust area for the future growth. They also highlight that promotion of SMEs for the economic up-liftmen of the nation.

Singh et al. (2012), examine the performance of SSI and focused on new policy changes in India. The paper concluded the growing performance of registering units, production employment and exports. The study will alsosuggest the measure to boost the technology up gradation to achieve the growth rate.

**Jaswal, s. s. (2014),**in his study Problem and Prospects of MSMEs in India tried to examine the growth and performance of MSMEs, the role of MSMEs in GDP growth rate and also discussed the problems faced by MSMEs. The study is based on secondary data and concluded that MSMEs has emerged as an engine of economic growth. In these years the employment from agriculture sector is declining, also the large industries have jobless growth, in such a situation the MSMEs has a responsibility to create jobs by improving productivity. Govt. need to help the sector to promote and to remove the sickness of these units.

**Zakkariya, K. A., &Nishanth, P. (2014),** explored the barrier faced by MSMEs units in raising finance and also tried to identify the various sources of finance. The present study is based on primary source of data collection in which 200 samples from Kozhikode district Kerala. The study divided the different

problems to different subgroups. The studyfound that samples are unaware of government schemes of MSMEs.

**Research Gap:**

After reviewing the earlier literature, it is found that most of the studies of MSMEs/SSIs are done at country or state level. The state-level studies are based on problem &perspective, supply chain management, the role of MSMEs in economic growth, etc. No any individual studies are done on the performance or trend analysis if MSMEs in Poonch district of J&K state. The present study shows the trend analysis of MSMEs in Poonch district, based on Employment Investment and Production/Output. The study also discusses the problems faced by MSMEs in the district. Therefore, the study has opened the path for futures research.

**Objectives:**

1. To analyze thegrowth andperformance of MSMEs in Poonch district.
2. The study tried to check how employment is effected with the increase or decrease of Investment, Production and Number of MSMEs units.
3. To Discuss the Problems faced by MSMEs and Suggest Measures.

**Hypothesis:**

1. There is significantly increase in the employment with the increase of investment, production and number of MSMEs unit.
2. MSMEs are facing large number of problems in the study area.

**Methodology:**

The Methodology adopted is collection of data from District Industries Center Poonch, Government of Jammu and Kashmir. The data is analysed by using Compound Annual Growth Rate (CAGR), Description Analysis, Trend Analysis, Correlation Analysis and Multiple Regression Analysis by taking No. of Units, Investment and Production as independent variable and Employment as a dependent variable.

**Data Analysis:**

The present study is based on secondary data.The data is collected from District Industries Centre Poonch. Various MSMEs Annual Reports both center and states, Magazines, Research Articles etc. are consulted for theoretical and conceptual framework of the paper. Regression model is used in the study to check how employment is effected with the increase or decrease of Investment, Production and Number of MSMEs units.The study has also explained the aggregate Compound Annual Growth (CAGR) and Average of all the variables. The data collected from the financial year 2000-01 to 2016-17.

The **Table 1**, shows the year-wise no. of MSMEs units, investment, production and employment from 200-01 to 20016-17. The study has also found the aggregate average and CAGR (Compound Annual Growth) from 2000 to 2017.

**Table 1: Performance of MSMEs-Investment, Production and Employment, 2001 - 2017**

| Year | No. of Units | Investment( in lakh) | Production(in lakh) | Employment |
|---|---|---|---|---|
| 2000-01 | 40 | 32 | 89 | 63 |
| 2001-02 | 56 | 18 | 44 | 156 |
| 2002-03 | 25 | 19 | 49 | 77 |
| 2003-04 | 82 | 75 | 122 | 233 |
| 2004-05 | 53 | 98 | 149 | 153 |
| 2005-06 | 61 | 156 | 226 | 184 |
| 2006-07 | 15 | 39 | 165 | 55 |
| 2007-08 | 11 | 313 | 439 | 277 |
| 2008-09 | 13 | 24 | 176 | 59 |
| 2009-10 | 11 | 15 | 163 | 47 |
| 2010-11 | 16 | 37 | 122 | 88 |
| 2011-12 | 17 | 17 | 189 | 55 |
| 2012-13 | 16 | 38 | 181 | 72 |
| 2013-14 | 18 | 15 | 159 | 54 |
| 2014-15 | 17 | 23 | 188 | 71 |
| 2015-16 | 20 | 38 | 722 | 171 |
| 2016-17 | 38 | 42 | 398 | 267 |
| **Average** | **29.94** | **58.76** | **210.64** | **122.47** |
| **CAGR** | **-0.003** | **0.016** | **0.092** | **0.089** |

Source: District Industries Centre Poonch

**Table 1**, shows that the average of no. of MSMEs units is 29.94, which is very low and has negative CAGR -0.003%. The study also found that the average of Investment, Production & Employment of MSMEs in Poonch district from 2000-2017 is 58.76, 210.64& 122.47. Whereas CAGR of investment is 0.016%, production is 0.092% and employment is 0.089%, which is shown in the figures **1.1 &1.2**.

**Fig. 1.1, Average Growth Rate 2001-2017**

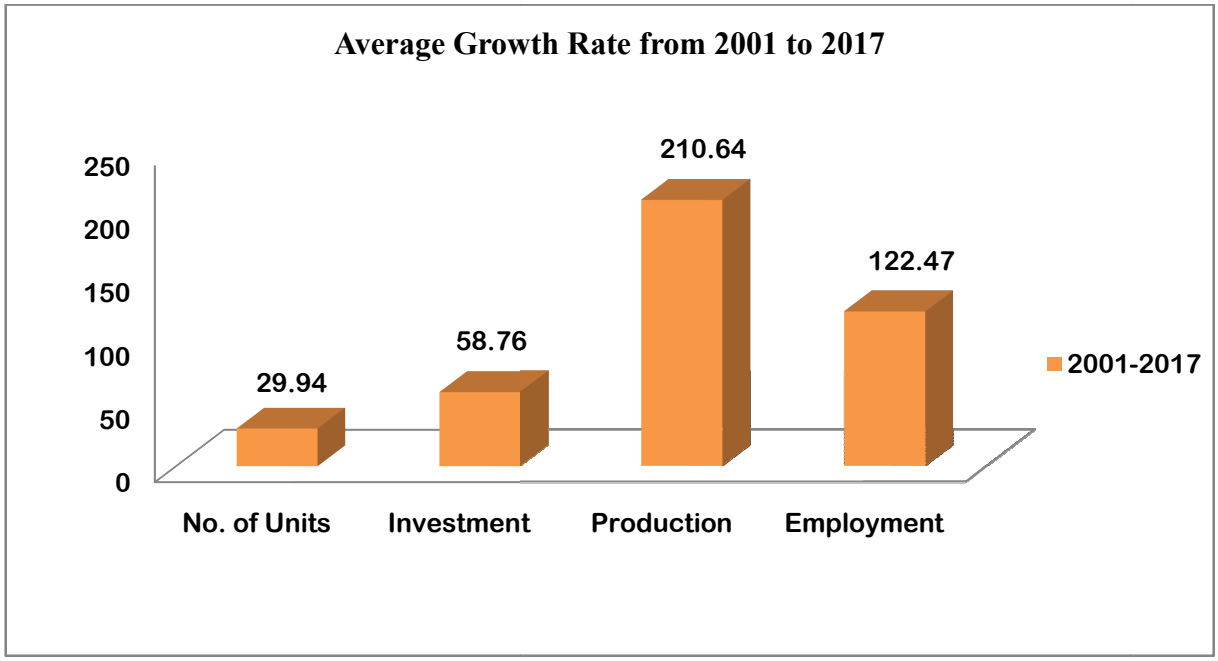
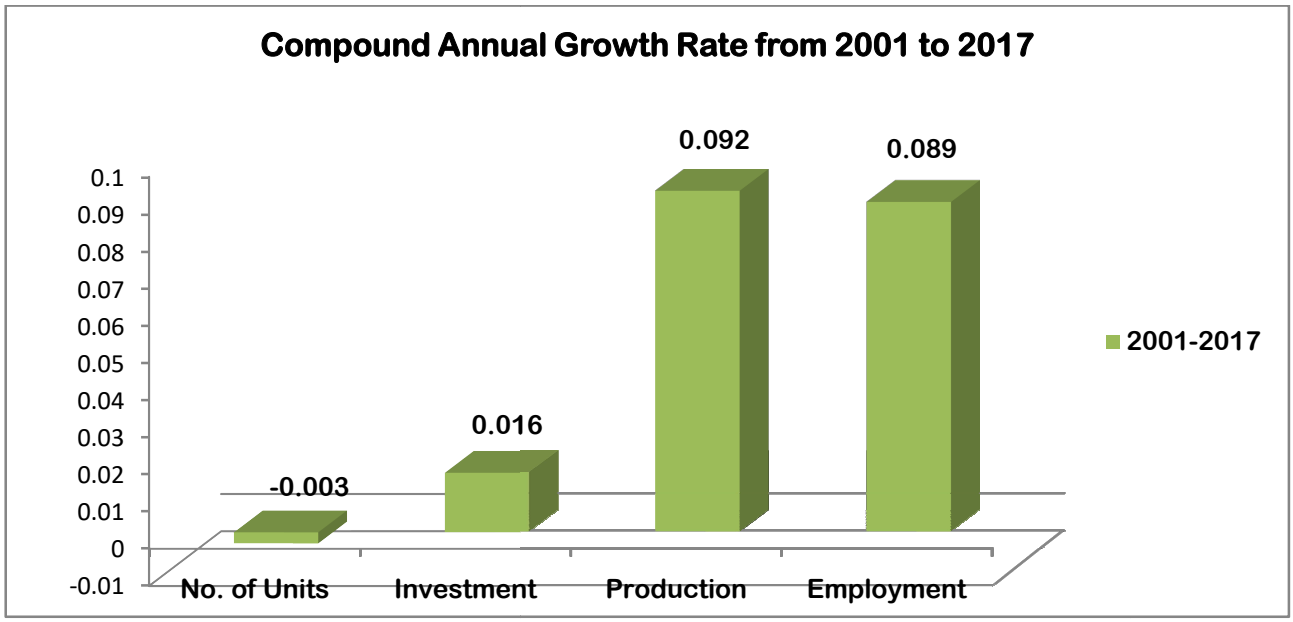



**Fig 1.2 Compound Annual Growth Rate 2001-2017**



**Model Specification:**

**Table, Statistics**

| | | Units | Investment | Production | Employment |
|---|---|---|---|---|---|
| **N** | **Valid** | 17 | 17 | 17 | 17 |
| | **Missing** | 1 | 1 | 1 | 1 |
| **Mean** | | 29.94 | 58.82 | 210.63 | 122.47 |
| **Std. Error of Mean** | | 5.170 | 18.171 | 40.559 | 19.240 |
| **Median** | | 18.00 | 37.21 | 165.00 | 77.00 |
| **Mode** | | 11[a] | 15[a] | 44[a] | 55 |
| **Std. Deviation** | | 21.315 | 74.921 | 167.229 | 79.329 |
| **Variance** | | 454.309 | 5613.084 | 27965.484 | 6293.015 |
| **Skewness** | | 1.230 | 2.836 | 2.113 | .886 |
| **Std. Error of Skewness** | | .550 | .550 | .550 | .550 |
| **Kurtosis** | | .572 | 8.678 | 4.974 | -.618 |
| **Std. Error of Kurtosis** | | 1.063 | 1.063 | 1.063 | 1.063 |
| **Range** | | 71 | 298 | 678 | 230 |
| **Minimum** | | 11 | 15 | 44 | 47 |
| **Maximum** | | 82 | 313 | 722 | 277 |
| **Sum** | | 509 | 1000 | 3581 | 2082 |

a. Multiple modes exist. The smallest value is shown

**Pearson's Correlation Analysis**

The Pearson's Correlation Analysis is given in table 3.

**Table 3, Correlations**

| | | Units | Investment | Production | Employment |
|---|---|---|---|---|---|
| **Units** | **Pearson Correlation** | 1 | .107 | -.232 | .506* |
| | **Sig. (2-tailed)** | | .683 | .370 | .038 |
| | **N** | 17 | 17 | 17 | 17 |
| **Investment** | **Pearson Correlation** | .107 | 1 | .345 | .664** |
| | **Sig. (2-tailed)** | .683 | | .175 | .004 |
| | **N** | 17 | 17 | 17 | 17 |
| **Production** | **Pearson Correlation** | -.232 | .345 | 1 | .495* |
| | **Sig. (2-tailed)** | .370 | .175 | | .043 |
| | **N** | 17 | 17 | 17 | 17 |
| **Employment** | **Pearson Correlation** | .506* | .664** | .495* | 1 |
| | **Sig. (2-tailed)** | .038 | .004 | .043 | |
| | **N** | 17 | 17 | 17 | 17 |

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

There are 10.7% of relationships exists between no. of units and investment, -23.2% of relationship exists between no. of units and production and 50.6 % of relationship exists between no. of units and employment according to Pearsons Coefficient of Correlation Analysis.

**Kandall's Correlation Analysis**

The Kandall's Correlation Analysis is given in table 4.

**Table 4, Correlations**

| | | | Units | Investment | Production | Employment |
|---|---|---|---|---|---|---|
| **Kendall's table** | **Units** | **Correlation Coefficient** | 1.000 | .171 | -.201 | .373* |
| | | **Sig. (2-tailed)** | . | .342 | .265 | .039 |
| | | **N** | 17 | 17 | 17 | 17 |
| | **Investment** | **Correlation Coefficient** | .171 | 1.000 | .265 | .583** |
| | | **Sig. (2-tailed)** | .342 | . | .138 | .001 |
| | | **N** | 17 | 17 | 17 | 17 |
| | **Production** | **Correlation Coefficient** | -.201 | .265 | 1.000 | .155 |
| | | **Sig. (2-tailed)** | .265 | .138 | . | .387 |
| | | **N** | 17 | 17 | 17 | 17 |
| | **Employment** | **Correlation Coefficient** | .373* | .583** | .155 | 1.000 |
| | | **Sig. (2-tailed)** | .039 | .001 | .387 | . |
| | | **N** | 17 | 17 | 17 | 17 |

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

There are 17.1 % of relationships exists between no. of units and investment, -20.1% of relationship exists between no. of units and production and 37.3 % of relationship exists between no. of units and employment according to Kandall's Coefficient of Correlation Analysis.

**Spearman's Correlation Analysis**

The Spearman's Correlation Analysis is given in table 5

**Table 5, Correlations**

| | | | Units | Investment | Production | Employment |
|---|---|---|---|---|---|---|
| **Spearman's rho** | **Units** | **Correlation Coefficient** | 1.000 | .241 | -.330 | .459 |
| | | **Sig. (2-tailed)** | . | .352 | .195 | .064 |
| | | **N** | 17 | 17 | 17 | 17 |
| | **Investment** | **Correlation Coefficient** | .241 | 1.000 | .370 | .754** |
| | | **Sig. (2-tailed)** | .352 | . | .144 | .000 |
| | | **N** | 17 | 17 | 17 | 17 |
| | **Production** | **Correlation Coefficient** | -.330 | .370 | 1.000 | .238 |
| | | **Sig. (2-tailed)** | .195 | .144 | . | .358 |
| | | **N** | 17 | 17 | 17 | 17 |
| | **Employment** | **Correlation Coefficient** | .459 | .754** | .238 | 1.000 |
| | | **Sig. (2-tailed)** | .064 | .000 | .358 | . |
| | | **N** | 17 | 17 | 17 | 17 |

**. Correlation is significant at the 0.01 level (2-tailed).

There are 24.1 % of relationships exists between no. of units and investment, -33.0% of relationship exists between no. of units and production and 45.9 % of relationship exists between no. of units and employment according to Spearman's Coefficient of Correlation Analysis.

**Result and Analysis**

**Hypothesis Testing**

*Hypothesis 1: There is significantly increase in the employment with the increase of investment, production and number of MSMEs unit.*

To examine the relationship among dependent and independent variables multiple regression analysis is used, where employment as a dependent variable and no. of units, investment and production as independent variables.

**Table 6**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .903[a] | .815 | .772 | 37.895 | 1.749 |

a. Predictors: (Constant), Production, Units, Investment

b. Dependent Variable: Employment

Table 6 shows that R-square is .815 that shows that 81.5% of employment is explained by no. of units, investment and production. Table also shows that Durbin Watson value is 1.749 that shows there is no autocorrelation in the model.

**Table 7: ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | **Regression** | 82019.375 | 3 | 27339.792 | 19.038 | .000[b] |
| | **Residual** | 18668.860 | 13 | 1436.066 | | |
| | **Total** | 100688.235 | 16 | | | |

a. Dependent Variable: Employment

b. Predictors: (Constant), Production, Units, Investment

Table 7 depicts the ANOVA result that shows significance value is .000 which is less than .05. Therefore model level of significance is less than 5% that shows employment is significantly predicted by Independent variables (No. of units, investment and production).

**Table 8: Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | 95.0% Confidence Interval for B | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Lower Bound | Upper Bound | Tolerance | VIF |
| 1 | **(Constant)** | -15.804 | 22.366 | | -.707 | .492 | -64.122 | 32.515 | | |
| | **Units** | 2.118 | .467 | .569 | 4.536 | .001 | 1.109 | 3.127 | .906 | 1.103 |
| | **Investment** | .465 | .138 | .439 | 3.376 | .005 | .167 | .762 | .844 | 1.185 |
| | **Production** | .226 | .063 | .476 | 3.578 | .003 | .089 | .362 | .860 | 1.238 |

**Dependent Variable: Employment**

Tables 8, shows the Coefficients of the model and value of VIF shows that there is no multicollinearity problem in the model. The coefficient results of the model form a regression equation as below

$$Y = -15.804 + 2.118X_1 + .465X_2 + .063X_3 + \varepsilon$$

Also the significance level in the model is less than 5%, coefficients are also positively associated. Therefore the model is dependent and independent variables have a positive association.

**Table 9: Collinearity Diagnostics[a]**

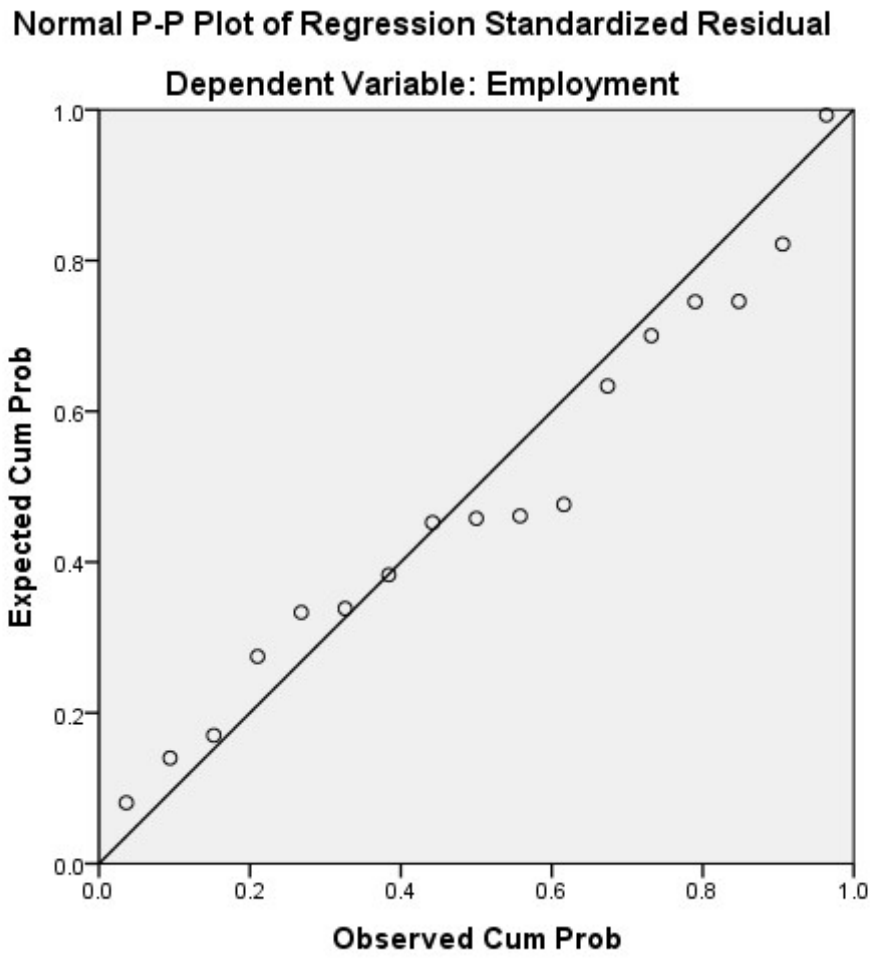
| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | | |
|---|---|---|---|---|---|---|---|
| | | | | (Constant) | Units | Investment | Production |
| 1 | 1 | 3.029 | 1.000 | .02 | .02 | .04 | .02 |
| | 2 | .502 | 2.457 | .03 | .23 | .41 | .07 |
| | 3 | .365 | 2.881 | .02 | .10 | .51 | .37 |
| | 4 | .105 | 5.382 | .93 | .64 | .04 | .54 |

a. **Dependent Variable: Employment**

**Table 10, Residuals Statistics[a]**

| | Minimum | Maximum | Mean | Std. Deviation | N |
|---|---|---|---|---|---|
| **Predicted Value** | 51.01 | 251.94 | 122.47 | 71.598 | 17 |
| **Residual** | -53.072 | 92.845 | .000 | 34.159 | 17 |
| **Std. Predicted Value** | -.998 | 1.808 | .000 | 1.000 | 17 |
| **Std. Residual** | -1.400 | 2.450 | .000 | .901 | 17 |

a. Dependent Variable: Employment




The above plot is used to check the normality and the plotted points should follow the straight line. Here the plot shows that plotted points follow the straight line. Therefore it follows the normality assumption

**Problems of MSMEs in the District:**

Every sector of Jammu and Kashmir faces different challenges in growth and development. These challenges are dissimilar to other states of the country like political instability, the graphical condition of the area, seasonal effect etc. The Poonch district is the last district of Jammu division and due to its geographical condition and natural beauty it is also known as "Mini Kashmir" but this district is most backward in pursuance of growth and development. The district is always ignored from government side for development purpose. The industrial sector is very low in the district, only very few Micro units are working there and according to the data of DIC these units are also decreasing in number. The decreasing number of these units is due to improper facilitation and low credit facilities. The banks have raised the interest rate through which units are not able to take the loan. Some of these problems of MSMEs in the district are discussed below:

1. **Erratic Electric Power Supply**: The electric power supply is irregular in the district. The only 132 KV line which supplies power from Jammu to Daraba (Surankote) and Chandak (Haveli) Grid station. The electric cut is very high in the city, which shows a less production in MSME units.
2. **Skilled Labour**: The district is facing the problem of skilled workforce. Most of the labour working in these units are unskilled. There is no any proper training facilities are provided to make the youth skill and entrepreneur.
3. **Marketing for Finished Products**:Marketing is an important factor for MSMEs to survive. Despite large domestic markets in the country, MSMEs are facing marketing problem. To check the performance of MSMEs market play an important role, where finished products are sold. In spite, the sector is facing this problem.
4. **Procurement of Raw Material**: Raw material is the basic element for the industrial units but MSMEs are facing the acute shortage of this. Infrastructure and transportation problem are also the reasons of the shortage of raw material.
5. **Expensive Transport**: High transportation cost reduces the growth rate of MSMEs in the district. Railway connectivity with the district is not available only road facilities are available there, which has very cost. Easy and low transportation cost is necessary for MSMEs growth, which is a lack in the district.

**Suggestion:**

1. Industrial Estate should be developed.
2. Reduce banks interest rate.
3. Technical training should be provided by the govt. to the youth.
4. Workshops and Awareness programme should be organized by the DIC.
5. Proper guidance and Counseling should be provided by DIC to small units.

**Conclusion:**

Micro, Small and Medium Enterprises (MSMEs) emerged as dynamic and employment generating sector of Indian economy. It is the most powerful engine of economic growth and industrial production. J&K has an image of small sector industrial production in Indian map. Despite a lot of challenges state MSMEs is growing continuously and creating employment for the jobless economy of the state.

Poonch is the most industrial backward district of the state only a few small units are working there. Last few years the district industries are facing lots of challenges and have recorded less growth in the area. Due to increase in banks interest rate, transportation and infrastructure the number of industrial units also decline. Govt. has taken some initiatives to promote this sector but there is need of lots of more initiatives to upgrade this sector.

The lowering the growth rate of MSME sector in the area need governmental appropriate measures to uplift this sector by providing cheap credit facilities, infrastructure development, an extension of the market for the products and linking district with others states for export promotion.

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