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Growth And Performance Of MSMEs In Nagaland

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Abstract:
Micro, Small and Medium Enterprises (MSMEs) play a major role in the economic development of any country contributing to the Gross Domestic Product (GDP) and employment generation. The Micro, Small and Medium Enterprises in India contribute to the economy of the country by providing employment and industrialization. With the increase in population and unemployed educated youths, the sector provides employment with low capital cost and promote industrial development in urban, rural and backward areas. The purpose of this paper is to study the growth and performance of Micro, Small and Medium Enterprises in Nagaland with reference to total number of enterprises, employment generation and fixed investments. The data for the study are collected from secondary sources Directorate of Industries and Commerce Govt of Nagaland, Udyog Aadhaar Memorandum (UAM) publication and report from Ministry of Micro, Small and Medium Enterprises (MSMEs). In this paper, multiple regression analysis has been used as the statistical tool to study the growth and performance of MSMEs in Nagaland during the study period. The number of MSME units is used as the dependent variable and the independent variables are employment generation and fixed investments. The finding shows employment generated influence the number of MSME units than fixed capital.

Keywords: MSMEs, Employment generation, fixed investments, economy, industrialization, growth and performance.

INTRODUCTION:

Micro, Small and Medium Enterprises boost a country's economy by contributing towards the gross domestic product and generating employment opportunities. The sector contributes to a nation's economy through income generation, employment creation, contributes to the gross domestic product (GDP) and promotes industrialization (Mekonnen, 2023). In India, increase in population has inflicted a huge problem for the government to provide employment to each and every group of people both educated and uneducated, skilled and unskilled people of urban and rural areas. To tend to the economy of the country, the MSME sector is significant in generating employment at low capital requirements and promote industrial development in rural and backward areas with the effective use of local resources available in the country. The expansion of MSMEs opened new avenues for exports of quality products to different nation and create opportunities for foreign exchange in boosting the country's economy (Rathore & Mathur, 2019).

Micro, Small and Medium enterprises are the core of industrial venture and act as nurseries for innovation and entrepreneurship in India (Verma & Nema, 2019). MSMEs in India are heterogenous in nature as it deals with varieties of products and services. The sector has more advantages due to high labour- capital ratio, low investments, small market extensions and the size of the enterprises. The sector facilitates proper utilisation of resources of capital and skills which otherwise remains unutilised and stimulates growth in industrial entrepreneurship (Ahmed & Verma, 2018). The Udyam registration of MSMEs in India has accelerated from a total registration of 1.31 crores as on 31st December 2022 to 2.19 crores with 88.89 lakhs registrations during the year 2023 (PIB, 2024). These MSMEs have generated huge number of employments to the people.

Nagaland is a state in North-East India which shares its border with Assam, Arunachal Pradesh, Manipur and Myanmar (Burma). The state is predominantly an agrarian economy where 71 % of the population depends on agriculture (Kashung, 2024). It is also industrially backward state where large scale industries are countable in

the state. The state depends widely on the MSME sector to provide employment and generate the state's economy. The sector faces many challenges and issues but it has the potential to uplift the country's growth and economy by acquiring the required support and assistance from the Government of India.

REVIEW OF LITERATURE:

Behera, Das, & Mahapatra (2018) studied to find the factor which affects the growth of MSMEs and analyse the factors for the development of the sector. Secondary data from the Annual report, Ministry of MSMEs, Government of Odisha, 2006-07 to 2014-15 consisting the numbers of SSI/MSMEs, Capital investments and number of employees are analysed for the study. In determining the factors influencing MSMEs, the result showed that the significant value is less than 0.05 which indicates that MSME units are significantly predicted by number of MSMEs and Capital investment. It also showed that capital investment has more influence than the number of MSMEs and that entrepreneur have to focus more on this factor to enhance their performance. The progress and prosperity of the state can be seen through the strengthening of traditional skills and knowledge by use of technology.

Bhuyan (2016) assessed the performance of MSMEs and its role in entrepreneurship development. The study found that variables to measure MSME performance in an economy are the contribution towards the GDP of the country and employment. The study stated that to alleviate poverty, unemployment, inequity and underemployment, the Government of India should emphasize on development of MSMEs. Employment opportunities should be created to facilitate and meet the subsistence level of consumption through MSMEs. The study concluded that Government established incubation centres in IIMs and IITs to finance venture for first generation entrepreneurs.

Selvam (2021) assessed the performance of MSMEs in India and analysed the role of MSMEs in urban and rural areas. The study is conducted based on secondary data collected from MSME Annual Report 2020-21. The study found that Micro enterprises account for more than 99% of the total estimated MSMEs where 51.25% are in rural areas and 48.75% are in urban areas where the maximum entrepreneurs are male. The study concluded that government has to adopt integrated policies, provide skill development trainings to increase productivity and provide credit facilities through government agencies to MSMEs to increase productivity and contribute to the economic growth.

Sharma & Afroz (2014) analysed the growth and development of Indian MSMEs since 1991. The present scenario and challenges faced in lending, marketing and license issues are taken into discussion. MSMEs helped in contributing towards employment generation and growth of domestic economy. The study found that there is an increasing trend in the number of MSMEs, employment, fixed investment and overall gross output each year. The ministry has also introduced many policies and schemes for the development of MSMEs in India. Despite its contribution to the economy, MSMEs does not get required support from Government Departments, Financial institutions and corporate in this competitive National and International Markets. The findings suggested that the Indian MSMEs need to upgrade their technology and put more emphasis on innovation.

Vibhuti & Barki (2016) studied on the contribution and performance of MSMEs on Indian economy and the challenges faced by the sector. The study found that there is a compound annual growth rate respectively in Micro, Small and Medium enterprises where medium enterprises dominate the other two sector. The employment generated through MSMEs is consistent and increase in trend. Accessing adequate finance is a major challenge faced by the MSMEs. The study concluded that MSMEs are incubators for entrepreneurs and also pose as the vehicle for inclusive growth since the last few years.

OBJECTIVES:

The main objective of the paper is to examine the growth and performance of MSME sector in Nagaland.

HYPOTHESIS:

The present study has the following hypothesis to describe the factors influencing MSME sector:

- Fixed investment and number of MSME units-

H_0: Fixed investments have no influence on number of MSME units

H_1: Fixed investments have an influence on number of MSME units.

- Employment Generation and number of MSME Units-

H_0: Number of MSME units have no influence on Employment generation

H_1: Number of MSME units have influence on Employment generation.

RESEARCH METHODOLOGY:

The data for the study has been collected from secondary source such as MSME annual report of India, Statistical Handbook of Nagaland, various publications of both government and non-government organization. The data collected are classified, tabulated and presented through multiple regression model using SPSS software.

Periodicity of the study:
The study will cover a period of seven years from 2015-16 to 2021-22.

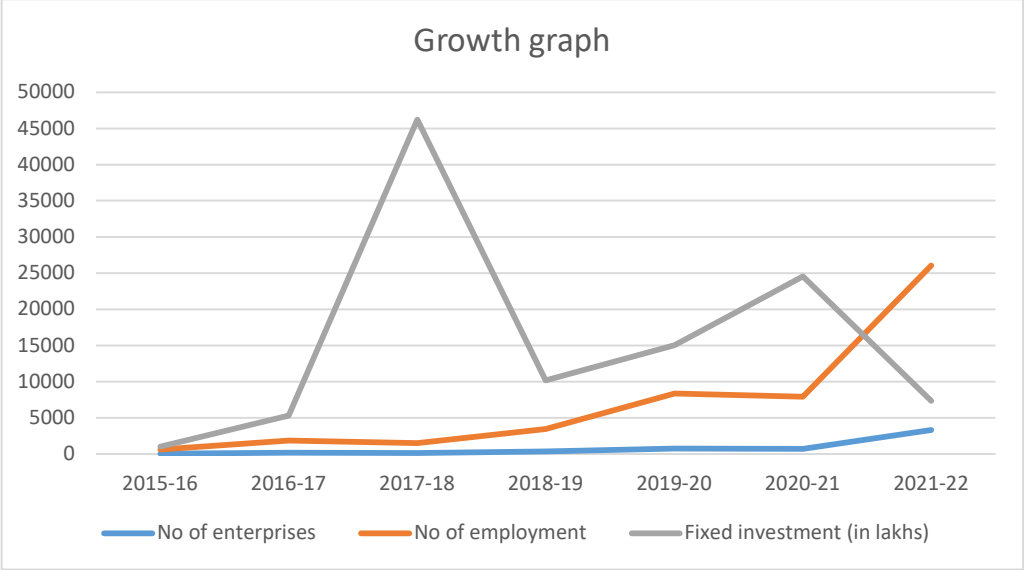
ANALYSIS AND INTERPRETATION:
The paper uses multiple regression analysis to analyse the corelation between variables and establish the validity of the model. The data derived from secondary sources are studied from the year 2015-2022: Number of MSME units, number of employments generated and fixed investments as described in table 1.

Table 1: Details of MSME units, no. of employment and fixed investment

Year	No of enterprises	No of employment	Fixed investment (in lakhs)
2015-16	63	628	1018.5
2016-17	170	1882	5286.38
2017-18	139	1528	46220
2018-19	363	3469	10223.5
2019-20	760	8354	15031.3
2020-21	713	7916	24533.6
2021-22	3316	26059	7325.8

Source: UAM publication June 2020, RTI report from Ministry of MSME and compiled by researcher.

Chart 1: Graph showing the growth



From the above chart, it can be seen that there is increase in number of employments with the increase in number of enterprises while, there is both growth and decline in the amount of fixed investments with the number of enterprises.
To fulfil the hypothesis here, the capital investment and number of employments generated are taken as two independent variables and the number of MSME units is taken as a dependent variable. The purpose of regression is to find the relationship between one dependent variable and more than one independent variable. Therefore, multiple regression statistical model is used to explain the variation. The model is defined as:
$Y = b0 + b1x1 + b2x2 + \ldots.. + bnxn + \varepsilon$
Where,
Y = dependent variable,
x1, x2 = independent variables
n= number of observations
b0, b1, b2,.bn= model parameters
ε = specification error
The multiple regression checks that the variables must be linear and normally distributed before analysis is done. To check the normality of the data, One Sample Kolmogorov-Smirnov test is applied. The test shows that the variables taken are normal. The number of enterprises has a statistically significant result which is less than 0.05 (p-value= .005) which doesn't follow a normal distribution while the other two factors number of employment

and fixed investments significance level is greater than 0.05 (see table 2) following a normal distribution.

Table:2 One- Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test				
		No of enterprises	No of employment	Fixed investment (in lakhs)
N		7	7	7
Normal Parameters[a,b]	Mean	789.14	7119.43	15662.7257
	Std. Deviation	1147.937	8897.800	15459.89179
Most Extreme Differences	Absolute	.367	.302	.231
	Positive	.367	.302	.231
	Negative	-.264	-.233	-.172
Test Statistic		.367	.302	.231
Asymp. Sig. (2-tailed)		.005[c]	.053[c]	.200[c,d]
a. Test distribution is Normal.				
b. Calculated from data.				
c. Lilliefors Significance Correction.				
d. This is a lower bound of the true significance.				

Source: Output of SPSS

Linearity of the variables:

The table 3 shows the coefficient and collinearity statistics when regression was applied on the data. The two collinearity statistics are tolerance and VIF, when the value of tolerance is less than 0.02 and the value of VIF is more than 10, it indicates that there is a potential problem in applying the model. In the current model the value of tolerance statistics is 0.966 which is above 0.02 and the value of VIF is 1.036 which is less than 10 for the independent variables number of employment (employment generated) and fixed investments. Hence, the data shows that there is no problem regarding collinearity among the variables used in the regression model. The b-value represents the relationship between the dependent and independent variables. From the table the b-value for number of employments is 0.128, which shows that if number of employment increase by 1 unit the number of enterprises will increase by 0.128 units, and the b-value of fixed investment is -0.022 which shows a decrease in the number of enterprises as per the fixed investment.

Table 3: Coefficients

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	-90.393	105.387		-.858	.439		
	No of employment	.128	.007	.989	18.015	.000	.966	1.036
	Fixed investment (in lakhs)	-.002	.004	-.025	-.455	.673	.966	1.036
a. Dependent Variable: No of enterprises								

Source: Output of SPSS

Hypothesis testing:

Table 4: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.994[a]	.988	.983	151.720
a. Predictors: (Constant), Fixed investment (in lakhs), No of employment				

Source: Output of SPSS

Table 5: ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7814482.523	2	3907241.261	169.739	.000[b]
	Residual	92076.334	4	23019.084		
	Total	7906558.857	6			
a. Dependent Variable: No of enterprises						
b. Predictors: (Constant), Fixed investment (in lakhs), No of employment						

Source: Output of SPSS

The significance value of .000 is less than .005. Therefore, there is a significant impact of independent variables over the number of enterprises.

Table 6: Coefficients

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-90.393	105.387		-.858	.439
	No of employment	.128	.007	.989	18.015	.000
	Fixed investment (in lakhs)	-.002	.004	-.025	-.455	.673
a. Dependent Variable: No of enterprises						

Source: Output of SPSS

The value of t 18.015 for employment generation is greater than 1.96, which means that there is a significant impact of number of employments on the number of enterprises. Whereas, the value of t (-.455) for fixed investments is less than 1.96, which means that there is no significant impact of fixed capital on number of MSME units.

H1: Capital investments have an influence on MSME units.

The hypothesis tests to analyse the relationship between capital investments and number of MSME units. The dependent variable number of MSME units was regressed on predicting the capital investment variable to test the hypothesis H_1. The number of MSME units predicts capital investment, $F(2,4) = 169.739$, $p > 0.005$, which indicates a weak relationship between Number of MSME units and capital investments ($b=-.022$, $p>0.005$). These results shows that there is a negative relationship. However, the $R^2 = .988$ depicts that the model explains 98.8% of the variance in employment generated. Therefore, based on the analysis we failed to reject the null hypothesis indicating that capital investment does not significantly influence the number of units.

H_2: Number of MSME units have significant influence on Employment generation.

The hypothesis tests if MSME units influence employment generation. The dependent variable number of MSME units was regressed on predicting variable employment generation to test the hypothesis H_2. Number of MSME units significantly predicted employment generation, $F(2,4) = 169.739$, $p < 0.005$, which indicates that the number of MSME units influence employment generation ($b=.128$, $p<.005$). These results clearly direct the positive affect of the number of MSME units. Moreover, the $R^2 = .988$ depicts that the model explains 98.8% of the variance in employment generated. Therefore, we accept the alternate hypothesis and rejects the null hypothesis.

Table 7: compilation

Hypothesis	Regression weights	Beta coefficient	R^2	F	t-value	p-value	Hypotheses supported
H1	Fixed investment (in lakhs) -> no of enterprises	-.022	.988	169.739	-.455	.673	no
H2	No of employment -> no of enterprises	.128	.988	169.739	18.015	.000	yes

The above table shows the compilation of results from SPSS software for the data.

Conclusion:

MSMEs play an important role for the growth of an economy especially for a state like Nagaland and India as a whole. The sector has shown significant progress with growth in the number of MSME units, employment generation and investment made in the past years. Though the government is promoting the MSME sector there

are many challenges and issues faced by the enterprises such as, competition from large industries, issues in availing subsidy and schemes, lack of proper infrastructure facilities, etc. The findings of the study show that number of enterprises impact the employment generation, when there are more enterprises there is increase in employment provided. Whereas, the fixed investments influence on the number of enterprises depending on the type of enterprises, when the type of business requires more capital the value of fixed investments increased. Results from table 5 shows the significant value is less than 0.05 which means the dependent variable number of MSMEs units is significantly predicted by the two independent variables employment generation and fixed investments. The study shows that the MSME sector generate more employment with the influence of their capital investments. Therefore, the sector show focus more on enhancing their performance. The increase in number of MSMEs in Nagaland shows the growth and development of the state, generating the economy and providing employment in the state.

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