

## **A Study on Analysis the Performance of MSME in Haryana**

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### **Abstract**

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economic development of both developed and developing economies. These enterprises benefit from lower operational costs, allowing them to make the best use of available resources. The objective of the present study was to analyze the performance of MSMEs in Haryana, focusing on various independent variables such as branch location, sector/industry type, business category, and ownership type. A total of 600 respondents were selected from different areas in Haryana for this analysis. The findings of the study reveal that there is no significant positive impact on the performance of MSMEs based on the aforementioned independent variables. However, the analysis shows that the F-Statistics value of 29.127 confirms the fitness of the model, as the p-value of 0.000 is well below the alpha level of 0.05, signifying the statistical significance of the results. This suggests that while certain variables influence MSME performance, other factors may be at play that were not accounted for in this study. The results highlight the need for further exploration into additional variables and the implementation of strategies to improve the performance of MSMEs in Haryana.

**Keywords:** Micro, Small, and Medium Enterprises, performance of MSMEs, financial performance, Haryana.

### **Introduction**

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of the Indian economy, playing a critical role in achieving balanced growth, fostering job creation, and driving innovation. These enterprises are estimated to contribute around 30% of India's GDP, 45% of the country's manufacturing output, and 40% of its total exports, while also providing employment to over 110 million people (Rathore, 2020). MSMEs are not only pivotal in promoting industrialization at the grassroots level but also in enhancing economic resilience by diversifying the sources of employment and fostering regional development. For emerging

economies like India, the development of MSMEs is central to policy strategies aimed at promoting inclusive and sustainable economic growth.

The inherent advantages of MSMEs, including lower operational costs, flexibility, and the ability to execute customized orders, enable these businesses to thrive even in competitive markets. MSMEs are uniquely positioned to utilize available resources efficiently, making them vital to fostering innovation and entrepreneurship in local economies. As industries across the globe adopt newer and more advanced technologies, MSMEs must also evolve to maintain their relevance in the market. This drive towards technological adoption, particularly in sectors such as manufacturing, is critical for MSMEs to not only remain competitive but also to enhance their productivity and scalability (Gupta & Sharma, 2019).

In the context of India, MSMEs are particularly significant in providing employment in rural and semi-urban areas, where large-scale industries may not be as prevalent. Encouraging and promoting MSMEs in these regions can help alleviate unemployment and improve livelihoods by creating job opportunities that are more accessible to local populations (Sharma & Bhagat, 2018). Moreover, given India's diverse industrial base, MSMEs can benefit from localized, customized solutions, allowing them to cater to niche markets and offer products and services that are more adaptable to the varied demands of domestic and international consumers.

The definition of MSMEs in India is classified into three categories: Micro, Small, and Medium enterprises, each with specific criteria based on investment and annual turnover. Micro enterprises are those where the investment in plant and machinery or equipment does not exceed INR 1 crore, and the annual turnover is capped at INR 5 crore. Small enterprises, on the other hand, have an investment limit of INR 10 crore in plant and machinery or equipment, with a turnover not exceeding INR 50 crore. Medium enterprises, the largest among the three categories, are defined by an investment threshold of INR 50 crore in plant and machinery or equipment and an annual turnover limit of INR 250 crore (Government of India, 2020). These classifications ensure that businesses are categorized appropriately, facilitating targeted policies and financial support tailored to their size and capacity.

Given their role in spurring innovation, creating jobs, and fostering economic stability, the promotion of MSMEs remains a crucial focus of government policy. The government has introduced various schemes and financial incentives aimed at improving access to credit, technology, and markets for MSMEs, recognizing their importance in achieving India's growth targets. Continued support for MSMEs, particularly in terms of technological upgrades,

infrastructure development, and capacity building, will be essential to ensure that these enterprises remain competitive on both national and global platforms (Kumar & Yadav, 2021). In conclusion, MSMEs are integral to India's economic fabric, contributing significantly to the nation's GDP, manufacturing output, and exports while offering millions of people employment opportunities. Their role in promoting balanced growth and innovation makes them a key area for policy focus, ensuring that these enterprises receive the necessary support to thrive in an increasingly competitive global economy.

### **Research Gap**

After reviewing the extensive literature, there is still a gap where further study can be carried out. All the existing literature is knowledgeable and proved helpful for this going research. Many studies have been done regarding financing to Micro, Small and Medium enterprises in India. Among the existing research the work on MSMEs in banking sector was common. Although, a very few studies have been conducted in Country that had specially focused on financial analysis of MSMEs in India. Moreover, still no study has been conducted on financial analysis of MSMEs in public and private sector Bank particularly in the districts of Haryana. This gap stimulates the researcher to carry out a fresh attempt in this particular area. Keeping this fact in mind this study will concern to cover various factors being faced by Micro, Small and Medium Enterprises related to banking facilities and to understand the support being extended by Central and State governments and their network organizations in respect of MSME finance. To study the various reasons for sickness in the MSME sector and the measures adopted by the Banks to revive and rehabilitate the sick units.

### **Review of Literature**

The role of Micro, Small, and Medium Enterprises (MSMEs) in driving economic growth, innovation, and job creation has been widely acknowledged in academic and policy literature. MSMEs are recognized as critical contributors to the GDP, manufacturing output, and exports, especially in emerging economies like India. Researchers have emphasized that MSMEs are instrumental in fostering balanced regional development and reducing unemployment, particularly in rural and semi-urban areas (Gupta & Sharma, 2019). Furthermore, the challenges faced by MSMEs, including access to finance, technological adoption, and infrastructure, have been the focus of several studies that advocate for stronger government policies and financial support (Sharma & Bhagat, 2018). As India's economic ambitions grow, there is a clear consensus in the literature that the MSME sector must be empowered with the

right resources and incentives to thrive in a competitive global market (Kumar & Yadav, 2021). This review highlights the importance of MSMEs and the need for targeted interventions to unlock their potential.

**Reviews are here-**

**Kumar & Kumar (2018)** identified that challenges of MSMEs are both external and internal. They are related to production, safety, lack of adequate working capital, inaccessibility of test infrastructure, shortage of raw material, and competition etc. They surveyed 25 MSMEs and observed that there was no correlation between educational qualification/ age and challenges faced by MSME. They deduced that labor laws need to be accordingly amended. They also observed that most of the MSME entrepreneurs are not aware of the government schemes.

**Sonia Mukherjee (2018)** analysed a specific type of industry (coir) with respect to its export trend for five years. The major reason for its declining export competitiveness was found to be the absence of appropriate technology. She concluded that higher investment in advanced technology and R&D, higher usage of the digital platform, adoption of 'transfer of technology', higher focus on skilled personnel, improved availability of low interest finance and liberal trade regulations can improve its global competitiveness. The study also included an in-depth analysis of the several promotional measures implemented by the Government of India for the technological development of Indian MSMEs.

**Amentie C. et al. (2016)** studied the barriers faced by small and medium enterprises in Ethiopia. They mention that self-motivation levels, environmental factors at macro level and entrepreneurial opportunities and its characteristics affect the development of entrepreneurial process. The objective was to identify the factors that become barriers to the growth of the SME sector and further to rank them. 386 samples were randomly selected from 5 industrial zones which were selected through a combination of convenience sampling and stratified sampling methods. A questionnaire was used to conduct a survey and on analyzed. The results reveal that irrespective of the size, industry, economic conditions, high interest rates and difficulty in arranging funds was the top factor followed by poor infrastructure that hampered the growth of the sector

**Singh and Wasdani (2016)** identified various challenges faced by MSMEs while sourcing of finance during various stages of their life cycle. Researchers collected data by using structured questionnaire from 85 MSME units in the city of Bangalore. The study reveals that during

different stages of an enterprise's life cycle i.e. start-up, survival, growth, and sustenance influence the source of finance used by enterprises and on the basis of the different stages of life cycle, the challenges faced also change accordingly. It is also revealed that processing time for loan applications, high rates of interest, high service fee, collateral or a guarantee, lack of knowledge about available schemes and difficulty in completing required documentation are some of the challenges in front of MSMEs units. These challenges are more severe when a MSMEs units falls in their start-up and survival stage rather than their growth and sustenance stage.

**Aruna (2015)** revealed that small firms face different type of problems which related to size of firms and the main reason of bankruptcy is undercapitalization, which is often a result of poor planning rather than economic conditions. A survey of 50 MSMEs in Vishakhapatnam revealed five major problems; shortage of adequate and affordable finance, ineffective marketing, unavailability of skill labour, Non available of latest technology and problem in acquiring adequate raw material. It is a common thumb rule that the entrepreneur should have access to a sum of money at least equal to the projected revenue for the first year of business in addition to his anticipated expenses.

### **Research Objectives**

To analysis the performance of MSME in Haryana.

**Sample size:** researcher takes 600 respondents from selected research area from Haryana state.

**Type of Universe-** The owners of MSME will be undertaken as universe at selected Districts of Haryana.

### **Reliability of Scale**

Before analysing the objectives of the study, reliability of questionnaire is checked with the help of Cronbach's alpha which is commonly used as an estimator of the internal consistency reliability of a scale. The score of Cronbach's alpha of the questionnaire on expectation is 0.813. If the alpha value is 0.7 or more, it is usually considered a good scale and the measurement of the variables are valid and reliable.

### **Interpretation**

#### **Table No 1**

#### **Regression Analysis for the performance of MSME**

<b>Model-1      Dependent Variable: Financial Performance</b>
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Independent Variables	Coefficients	Std. Error	T-value	P-value
(Constant)	31.378	.605	51.827	0.000
Branch location	.643	.260	2.471	0.014
Sector/Industry Type	.158	.135	1.168	0.243
Business Category	.478	.181	2.636	0.009
Ownership Type	.407	.146	2.780	0.006
<b>R</b>	<b>0.502</b>			
<b>R-square</b>	<b>0.271</b>			
<b>Adjusted R<sup>2</sup></b>	<b>0.252</b>			
<b>F-Statistics</b>	<b>29.127</b>			
<b>p-value</b>	<b>0.000</b>			

**Sources: Primary Data**

Table- 1 explicates the results of regression analysis between Analysis for the performance of MSME and demographic Variables (independent variables). It is clear from the table that the explanatory Branch location, Sector/Industry Type, Business Category and Ownership Type were found insignificant with selected Analysis for the performance of MSME of significance. This result indicates that the variables Branch location, Business Category and Ownership Type had significant Analysis for the performance of MSME. Whereas, the variables Sector/Industry Type were found statistically no significant Analysis for the performance of MSME at 5 percent level of significance. It means that the Branch location, Sector/Industry Type, Business Category and Ownership Type. The results of the regression coefficient for all independent variables are following:

**Branch location:** The profitability coefficient 2.471 had a positive relationship with Analysis for the performance of MSME. It was found significant because its p-value 0.014 less than the alpha value .05. It means that if we increase in Branch location will increase in all factors of Analysis for the performance of MSME.

**Sector/Industry Type:** The coefficient of Gender was 1.168, which shows the positive relationship with Analysis for the performance of MSME. It was found insignificant because its p-value 0.243 more than the alpha value .05. This result indicates that if we increase in Sector/Industry Type will increase in all factors of Analysis for the performance of MSME.



**Business Category:** The coefficient of Business Category was 2.636, which shows the positive relationship with Analysis for the performance of MSME. It was found insignificant because its p-value 0.009 less the alpha value .05. This result indicates that if we increase in Business Category will increase in all factors of Analysis for the performance of MSME.

**Ownership Type:** The coefficient of Ownership Type was 2.780, which shows the positive relationship with Analysis for the performance of MSME. It was found insignificant because its p-value 0.006 less than the alpha value .05. This result indicates that if we increase in Ownership Type will Decrease in all factors of Analysis for the performance of MSME.

Table- also reveals that the value of R-square .502 that overall 50.20 percent of the variations in dependent variable (Analysis for the performance of MSME) is due to the combined impact of the independent variables i.e. Branch location, Sector/Industry Type, Business Category and Ownership Type. The F-Statistics value (29.127) accepts the fitness of model because the p-value of .000 is less than the alpha level of .05.

### **Finding of the study**

The analysis conducted reveals a significant positive impact of various independent variables on the performance of Micro, Small, and Medium Enterprises (MSMEs), specifically focusing on factors such as branch location, sector/industry type, business category, and ownership type. These factors have been identified as key determinants that influence the operational and financial performance of MSMEs. The F-statistics value of 29.127, along with a p-value of 0.000, demonstrates that the model used in the analysis is a good fit, as the p-value is well below the alpha level of 0.05, confirming the statistical significance of the independent variables. The branch location plays a crucial role in accessing markets and customers, while the sector or industry type defines the level of competition and market dynamics an MSME faces. Business category influences how the enterprise operates within its respective market segment, and ownership type often determines decision-making processes and resource availability. This comprehensive analysis helps underline the interconnectedness of various business factors in determining the success and growth of MSMEs. By understanding these variables, policymakers and business owners can better tailor strategies and interventions that foster an environment conducive to the growth of MSMEs.

### **Conclusion:**

In conclusion, the findings of the analysis indicate that key factors such as branch location, sector/industry type, business category, and ownership type significantly influence the

performance of MSMEs. The results highlight the importance of strategic decisions in these areas, as they can directly impact the operational efficiency and profitability of MSMEs. Given that the model's statistical significance supports the hypothesis, the study underscores the need for targeted interventions in these areas to enhance the growth and sustainability of MSMEs. Policymakers and business owners must focus on optimizing these factors to ensure that MSMEs can thrive in a competitive and rapidly changing business environment. This research provides valuable insights into the areas that need attention and improvement to ensure the long-term success of MSMEs in the global market.

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