

CRITICAL ANALYSIS OF SME PROFITABILITY IN INDIAN ISLAND STATES

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ABSTRACT

This study is an endeavor to examine the relationship in the middle of productivity and normal for MSMEs in South Andaman area. The study is in light of essential and optional wellspring of information. The specimen choice is in light of arbitrary example of 120 MSMEs from South Andaman District of Andaman and Nicobar islands. The aftereffect of Matrix Pearson Correlation study demonstrated a positive relationship between big business' qualities and productivity. Notwithstanding this, the consequences of various relapse model demonstrates that free variables, for example, capital speculation, business experience, number of worker and day by day working hours are fundamentally affecting the MSMEs benefit in the island area.

KEYWORDS: South Andaman, MSMEs and Multiple Regression.

I. INTRODUCTION:

In the present universe of globalization, Micro, Small and Medium Enterprises (MSMEs) are key figures each nations monetary framework. The MSMEs contribute essentially to both job era and GDP of the separate nation. Commercial ventures, including khadi and town/provincial endeavors constitute an imperative fragment of Indian economy regarding their commitment to nation's modern generation, fares, business and production of an entrepreneurial base. As a legacy of Gandhian reasoning in India, since autonomy the smaller scale and little commercial ventures area have assumed an imperative part in the financial advancement of the nation. Today, the situation of Indian SMEs has changed totally. A portion of the SMEs are gaining organizations abroad as a

component of the globalization process. The SME area has changed themselves to address the issue of huge nearby makers and have get to be suppliers to worldwide producers. SMEs have additionally begun putting resources into R&D exercises keeping in mind the end goal to contend in the worldwide business. SMEs now possess a position of vital significance in the Indian monetary structure because of its noteworthy commitment regarding yield, fares and job.

The pretended by the little undertakings in the financial action of cutting edge industrialized nations like Japan, Germany, Great Britain and the United States of America is huge. Numerous countries, both created and creating, have underlined that the little business segment is a valuable vehicle for development for the formation of new

occupation opportunities on a wide scale in the briefest conceivable time. Indian economy is a rising economy. Its tremendous assets are either unutilized or underutilized. A noteworthy segment of labor is lying unmoving. The per capita pay is low. Capital is rare and venture is incline. Generation is conventional and the strategy is obsolete. The yield is lacking and the fundamental needs of MSMEs assume a crucial part for the development of Indian economy. India presently has more than 48 million SMEs. These SMES contribute more than 45% of modern yield, 40 % of nation's aggregate fares, makes 1.3 million employments consistently and create more than 8000 quality items for the Indian and universal markets.

This study center to investigate the MSME's in the South Andaman District of Andaman and Nicobar Islands. The fundamental purpose behind determination of the study territory is that because of geological uniqueness of the Islands, for the majority of the items are imported from terrain. In this manner, these islands dependably depend on terrain item and administrations, bringing about absence of development and improvement in this district. Nonetheless, MSMEs assume significant part by cooking the essential fundamental products and supporting administrations in these islands. Notwithstanding this, through MSME the island has seen diminishment of unemployment and improvement of new endeavors, diminish in costs of products and administrations and usage of accessible assets of the islands for advancement and advancement of the way of life of the individuals in these islands.

This study is done in South Andaman District. Essentially, there is no such study completed particularly centered around trademark and productivity of MSMEs in Islands area. Henceforth this study is focused on towards undertakings' trademark and benefit in the islands district.

ANDAMAN AND NICOBAR ISLANDS:

Andaman & Nicobar Islands is one among the seven Union Territories in the Republic of India. There are 572 islands in the domain

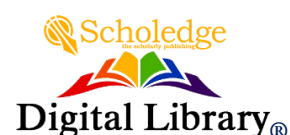
the individuals stay unfulfilled. In this circumstance, the likely better alternative would be advance Micro and Small Industries. Such commercial enterprises don't require gigantic capital and consequently suitable for a nation like India. Indeed, even today, the commitment of MSMEs is exceedingly estimable.

having a region of 8,249 km. Just 38 are for all time possessed. The islands reaches out from 6° to 14° North scopes and from 92° to 94° East longitudes. The Andaman gathering has 325 islands which cover a territory of 6,408 km (2,474 sq m) while the Nicobar gathering has just 24 islands with a zone of 1,841 km (711 sq m). Andaman & Nicobar Islands comprises of three regions they are South Andaman District, North & Middle Andaman District and Nicobar District. This study is centered around the capital of Andaman and Nicobar Islands i.e. Port Blair, which goes under South Andaman District.

II. REVIEW OF LITERATURE:

1. Deepti Bhargava (2012) investigated the principle variables identified with achievement of business. The study taking into account business visionaries in little mechanical business in provincial range of Rajsamand District. Through arbitrary examining, 95 enterprisers are chosen for the study. It is found that expertise preparing can prompt the change of creation in the ventures, and configuration of the items arranged by the artisans, can bring about better off take of their items in nearby market.

2. Anthony K. Ahiawodzi (2012) to inspected the impact of access to credit on the development of little and medium scale endeavors (SMEs) in the Ho Municipality of Volta Region of Ghana. The study included an example of 78 SMEs in the assembling part. The study continued with firm development as the indigent variable and the free variables incorporate access to credit, absolute current speculation, and age of the firm, start-up capital, training level and yearly turnover of the firm. The outcomes demonstrated that entrance to credit applies a critical



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constructive outcome on development of SMEs.

3. M. Mohd. Rosli (2011) paper analyzed the components deciding the execution of SMEs in the Malaysian vehicle parts industry. Utilizing different relapse examination, it is clear that company's age and remote value are fundamentally identified with the execution of the organizations. The discovering give an imperative sign to SMEs for entering joint endeavors with nonnatives so as to accomplish better execution and all the more vitally to contend in the developing open business components.

4. Md. Aminul Islam, Mohammad Aktaruzzaman Khan, Abu Zafar Muhammad Obaidullah and M. Syed Alam (2011) in their study inspected the impact of qualities of business person and attributes of the firm on the business achievement of Small and Medium Enterprises in Bangladesh. The study is in view of poll construct review with respect to the proprietors and workers of little firms. The normal for business person is discovered to be a noteworthy variable for business accomplishment of SMEs in Bangladesh.

ANALYSIS AND DISCUSSION:

1. Trend in MSMEs Registration in A & N Islands:

Table # 1 MSMEs registered in Andaman and Nicobar Islands

(In Numbers)

Year	Number of Industries	YOY growth	Year	Number of Industries	YOY growth
2000-01	74	-	2008-09	40	-2.44
2001-02	44	-40.54	2009-10	65	62.5
2002-03	76	72.73	2010-11	85	30.77
2003-04	106	39.47	2011-12	71	-16.47
2004-05	100	-5.66	2012-13	124	74.65
2005-06	44	-56	2013-14	108	-12.9
2006-07	30	-31.82	2014-15	85	-21.3
2007-08	41	36.67	-	-	-

(Source: Directorate of Industries of Andaman & Nicobar Islands)

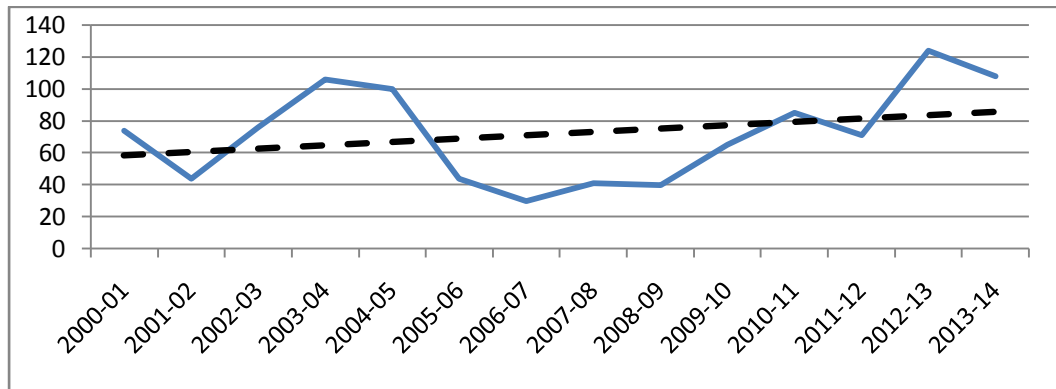
Chart # 1

TARGET OF THE STUDY:

1. To discover the pattern of MSMEs execution in Andaman & Nicobar Islands.
2. To dissect the relationship in the middle of gainfulness and the qualities of MSMEs in South Andaman locale.

III. RESEARCH DESIGN AND METHODOLOGY:

The examination configuration is in light of essential and optional wellsprings of information. Auxiliary wellspring of information is gathered from Directorate of Industries of Andaman & Nicobar. Essential wellspring of information were gathered by utilizing timetable/survey on an irregular specimen of 120 MSME in both assembling and administrations part in South Andaman District, amid the period from October, 2014 to November, 2014. To investigate the information, factual apparatuses, for example, rate, framework Pearson relationship and multi relapse examination were connected utilizing SPSS measurable programme



The Table # 1 above shows that a total of 1093 MSME were registered from the year 2000 to 2014. However, there is no consistency in the growth of registered MSMEs in Andaman & Nicobar region. It is clear from the table that the maximum growth rate in MSME i.e 74.65 percent and negative growth i.e -56 percent during the year 2005. The Chart # 1 Show the graphical

representation of trend in MSME registration in the Islands. Therefore, the Central Government and the Andaman & Nicobar UT administration should take initiatives to give much priority for the development of MSMEs so that it could generate more employment by utilizing, the natural resources for improving the income generation of people living in Andaman and Nicobar region.

2. Types of Enterprises:

Enterprises are broadly classified into Micro, Small, and Medium Enterprises based on their investment in plant and machinery for manufacturing enterprises and on equipments in case of enterprises providing or rendering services. The following table # 2 gives the category of the respondent MSMEs of the study.

Table # 2: Types of Enterprises

Sl No	Particulars	No. of observation	Percentage
1	Micro	47	39.2
2	Small	70	58.3
3	Medium	3	2.5
	Total	120	100.0

(Source: Primary Data)

The Table # 2 shows the distribution of sample respondents according to the type of enterprise. Out of 120 respondents, 70 (58.3%) are small enterprises, 47 (39.2 %) are micro

enterprises and 3(2.5%) are medium enterprises. It shows that majority of the respondents are from micro and small enterprises from South Andaman District.

3. Type of activity of respondent firms:

Information relating to type of operating activity of MSMEs in South District is given below:

Table # 3: Type of activity of respondent MSMEs

Sl No	Type of operation	No. of observation	Percent
1	Manufacturing	30	25.0
2	Service	74	61.7
3	Both	16	13.3
	Total	120	100.0

(Source: Primary Data)

Table # 3 above reveals the nature of activity engaged by the enterprises. Out of 120 enterprises, 30 (25.0%) enterprises are engaged in manufacturing activity, 74 (61.7%) enterprises are engaged in service activity, and remaining 16 (13.3%) are involved in both

operation i.e. manufacturing as well as service. According to the study, majority (i.e. 61.7%) of the respondent enterprises are engaged in repairing and maintenance activities under Service sector.

Result of Matrix Correlation:

The Matrix Correlation representing the relationship between variables is used to understand the strength of relationship i.e. whether the relationship is positive or negative. It is measured by what is called coefficient of correlation (r). Its numerical value ranges from +1.0 to -1.0. It gives us an indication of the strength of relationship. The result of matrix correlation relating to enterprise's characteristics and their profitability is shown in table given below:

Table 4: Matrix Correlations

		BE	NE	DWH	CI	PE
Business Experience	Pearson Correlation	1	.017	.065	.006	.045
	Sig. (2-tailed)	-	.853	.482	.950	.622
	N	120	120	120	120	120
Number of employee	Pearson Correlation	.017	1	-.026	.382**	.570**
	Sig. (2-tailed)	.853	-	.775	.000	.000
	N	120	120	120	120	120
Daily working hours	Pearson Correlation	.065	-.026	1	-.051	.150
	Sig. (2-tailed)	.482	.775	-	.582	.102
	N	120	120	120	120	120
Capital Investment	Pearson Correlation	.006	.382**	-.051	1	.542**
	Sig. (2-tailed)	.950	.000	.582	-	.000
	N	120	120	120	120	120
Profitability of firm	Pearson Correlation	.045	.570**	.150	.542**	1
	Sig. (2-tailed)	.622	.000	.102	.000	-
	N	120	120	120	120	120



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** Correlation is significant at 0.01 levels.

Note: (Business Experience-BE, Number of Employee -NE, Daily Working Hours-DWH, Capital Investment-CI, Profitability of Enterprises-PE)

The above Table # 4 shows the relationship between key variables. The Matrix Correlation analysis showed significant positive correlation between number of employee in enterprises and profitability of enterprises ($r = 0.570$, $p = 0.000$). Similarly, there is positive correlation between capital investment and number of employees in enterprises ($r = 0.382$, $p = 0.000$) which is statistically significant. Statistically significant relationship also exists in the case of capital

investment and profitability of enterprises ($r = 0.542$, $p = 0.000$) which indicates a positive correlation. From this analysis, it is clear that the enterprises characteristics such as capital invested and number of employee's impact of profitability of enterprises. The result of the study indicates that there is significant relationship between profitability and characteristic of enterprises such as investment and number of employees.

Multiple Regression Analysis:

In multiple linear regressions, the average relationship between the variables is used to estimate the depended variable for the given independent variables. The dependent variable (effect) is called as the study variable and the independent variables (cause) are called the auxiliary information. The general equation of a multiple linear regression is as follows:

$$Y = A + B_1X_1 + B_2X_2 + \dots + B_n X_n + U$$

Whereas, Y is the dependent variable, the value of which is to be known, X_1, X_2, \dots, X_n are the independent variables whose value are known, B_1, B_2, \dots, B_n are the coefficients of $X_1, X_2, X_3, \dots, X_n$ respectively. A is constant, U is the error term.

Result of the Multiple Regression Analysis Model

Table # 5

Model	R	R Square	Adjusted R Square	Sig.	Durbin-Watson
1	.694	.481	.463	.000	1.797

- Predictors(constant), Daily working hours, No of Employees, Business Experience, Current Investment
- Dependent Variable: Profitability of Enterprises

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.059	4	2.646	26.660	.000
Residual	1.142	115	9.926		
Total	2.200	119			

- Predictors (constant), Daily working hours, No of Employees, Business Experience, Current Investment
- Dependent Variable: Performance of profitability of enterprises

Coefficients

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	-143482.598	56255.379		-2.51	.012		
CI	.352	.066	.389	5.347	.000	.853	1.173
BE	378.38	1044.933	.024	.362	.718	.995	1.005
NEW	13055.486	2231.377	.425	25.851	.000	.854	1.171
DWH	16103.056	6058.202	.179	2.658	.009	.993	1.007

a. Dependent Variable: Profitability of enterprises

The results of multiple regression analysis is shown in Table # 5. The findings of the study reveals that capital investment, business experience, number of employees working and daily working hours are significantly related to the profitability of MSMEs in South Andaman district. The overall results of the regression analysis shows that this model is well constructed and it is well represented as reflected in the variables selected. The above Table # 5, which gives the summary of the model on regression analysis, indicate that the R-square is 48.1 percent. This means that the four independent variables which include capital investment, business experience, and number of employees and daily working hours lead to profitability of enterprises to the extent of 48.1 percent. The Durbin-Watson statistic shows that the serial correlation of residuals is 1.79, the value falls within the acceptance range (1.5 to 2.5). This means that there is no auto correlation problem in the data. The Condition Index, Variance Inflation Factors (VIF) and tolerance all fall within the acceptance range (Condition index = 27.233, VIF = 1 - 10, tolerance = 0.1 - 1.0). This means that there is no multi-collinearity problem in the regression model used for this study. The F-value is found to be significant at 1% significance level (sig. F = .000). This concludes that current investment, business experience, number of employee and daily working hours impact the profitability of the

enterprises and respondent MSME are dependent on these major factors for their success and failure.

Conclusion:

The smaller scale, little and medium undertakings are the foundation of the monetary advancement of the nation, which meets the nearby and also the worldwide requests of the items and administrations. This study is done to comprehend the pattern of MSME in South Andaman locale and to check the effect of MSMEs qualities on their benefit. The consequence of the Matrix Pearson connection found that there is certain relationship reasoning that there is noteworthy relationship in the middle of gainfulness and normal for MSMEs in South Andaman District. Further, the study found that both assembling and administration area in the islands do have more open door for business era, usage of neighborhood assets for monetary advantage and era of salary for the individuals who fundamentally rely on MSMEs in the island district.

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