PERFORMANCE OF SMALL AND MEDIUM INDUSTRIES IN SIPCOT INDUSTRIAL REGION

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ABSTRACT

Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. If one manages the performance of the individual, organizational performance is expected to follow. Individuals were unable to establish that organisations with well-developed performance management practices performed better. This article deals with business performance of small and medium size industries in SIPCOT (State Industries Promotion Corporation of Tamil Nadu) industrial region, India. It examines how far independent variables influence the profit level of the entrepreneur with the help of multiple regression model.

Keywords: *Performance management, profit and credit level, small and medium enterprise, entrepreneur*

Introduction

Performance Management (PM) includes activities which ensure that goals are consistently met in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, an employee, or even the processes to build a product of service, as well as many other areas. In general, the manager needs to adopt performance management practices that will facilitate continuous review and ongoing development of his department/team in order to deliver departmental objectives. The underlying assumption is that by managing the performance of the individual and team, departmental and organisational performance will follow and by raising individual and team levels of performance, organisational performance will also improve. Equally when the performance of individuals is not managed, this can lead to frustration and discontent amongst team members.

Need for Performance

Performance management assumes that by raising individual levels of performance, organisational performance can improve, although till date no definitive evidence has been provided to conclude that this is indeed the case. It is significant to note that former practices in the management of individual performance have been found lacking. The work on people and performance found that human resource practices alone do not drive organisational performance, but they do contribute to developing able, committed and motivated individuals who are more likely to exhibit discretionary effort and performance above that which is sufficient to fulfill the requirements of the job.

Theoretical Background - Performance Management

Locke and Latham (1984) noted that the underlying conceptual foundations for performance management lie in motivation theory and, in particular, goal-setting theory and expectancy theory. This theory suggests that not only does the assignment of specific goals results in enhanced performance but that, assuming goal acceptance, increasing the challenge or difficulty of goals leads to increased motivation and increased performance. According to Vroom (964), individuals change their behaviour according to their anticipated satisfaction in achieving certain goals. Both these theories have important implications for the design of performance management processes.

Performance management and Organisational performance

In the past it has almost been a leap of faith on the part of HR managers and researchers that if one manages the performance of the individual, organisational performance is expected to follow. Despite our best efforts, individuals were unable to establish that organisations with well developed performance management practices performed better.

It is important to note the commitment to the willingness of individuals to perform or exhibit discretionary behaviour in their day-to-day activities, it is not impossible that a more definitive link could be made between performance management and organisational performance. Previous research found little evidence that performance management processes were specifically designed to drive commitment among employees. Yet it seems logical that if performance management is delivered in a way that promotes trust and positive relationships with line managers, then commitment will follow.

Review of Literature

Many researchers have conducted studies on performance management, performance analysis, and performance appraisal at national and international level but not in SIPCOT industrial region. Now an attempt is made to analyze the past trends in the area of research in performance management, performance analysis, and performance appraisal of SIPCOT industries. It is a research gap and in order to fulfill the gap, the present study is undertaken.

Research Design / Data Collection

There are 17 SIPCOT industrial regions in Tamil Nadu, India. Out of them 6 SIPCOT industrial regions were selected based on long duration of functioning. These include Ranipet, Hosur, Cuddalore, Tuticorin, Cheiyar and Siruseri. In this study small enterprises and medium enterprises are selected. According to Reserve Bank of India, small enterprise means investment in the range of Rs.25-500 lakhs and employing worker up to 100; medium enterprise means investment in the range of Rs.500-1000 lakhs and employing up to 250 workers. From each SIPCOT industrial region, 50 enterprises were selected.

Objective of the Study

To understand the business performance of small and medium enterprises with reference to profit and credit level in SIPCOT industrial region in Tamil Nadu.

Statistical Tool

In order to study the factors determining the profit level of the entrepreneurs, the multiple regression model was applied. The dependent variable profit level was computed on the basis of 7 independent variables on a 5 point rating scale. The linear regression model formed

$$Y = a + b_1X_1 + b_2 X_2 ----------- b_nX_n + E$$

Y = Profit level

a = Constant

b_1-b_n = Regression co-efficient of the given independent variables

E = Residual error

$X1$ = Investment

$X2$ = Credit level

$X3$ = Education

$X4$ = Industrial category

$X5$ = Family Size

$X6$ = Cost of production

$X7$ = Productivity

Results and Discussion

The performance of SIPCOT Medium and Small scale enterprises in Tamil Nadu was analysed with the help of multiple regression analysis. It deals with level of investment, bank credit availed, education level, industrial category, family size, cost of production, and productivity.

Table-1: Profits Level of Long duration Entrepreneurs

Variable	Co-efficient	Standard Error	t Value
Constant	437417.71	206167.32	2.09
X_1 = Investment	87144.52	16215.72	5.37
X_2 = Credit level	-43771.41	17212.52	-2.54
X_3 = Education	92406.08	19473.44	4.75
X_4 = Industrial category	-34352.60	10820.33	-3.17
X_5 = Family size	43120.32	10421.52	4.13
X_6 = Cost of production	-37452.22	10223.35	-3.66
X_7 = Productivity	65324.42	19857.85	3.28
R^2	0.8762		
F ratio	18.36		

Source: computed from primary data
Significant @ 1% level

Data presented in table-1 indicate the multiple regression results on factors determining the profits level of long duration entrepreneurs. It is inferred from the table with regard to long duration entrepreneurs, the F statistics calculated is 18.36 which is significant at 1% level. Hence, the R^2 value, which is equal to 0.8762, is taken to be significant as regards the independent variables. The t test shows that the credit level and industrial category of the respondents and cost of production of the entrepreneurs have negative regression co-efficient on long duration entrepreneurs. It means that higher the credit level of the entrepreneurs, lower the profit level of the entrepreneurs and the vice versa. Also industrial category and cost of production status of the

entrepreneurs have negative regression co-efficient on profit level of the entrepreneurs. However, the investment level, educational status, family size, and productivity of the entrepreneurs have positive regression coefficient on profit level of the long duration entrepreneurs.

Table-2: Profits Level of Medium duration Entrepreneurs

Variable	Co-efficient	Standard Error	t Value
Constant	531423.66	215722.13	2.46
X_1 = Investment	76158.30	21543.42	3.53
X_2 = Credit level	-53616.20	-18719.60	-2.86
X_3 = Education	-90518.33	24652.39	-3.67
X_4 = Industrial category	-83217.40	18654.47	-4.46
X_5 = Family Size	53446.70	20443.38	2.62
X_6 = Cost of production	-39448.34	28567.30	1.38
X_7 = Productivity	60346.38	18520.38	3.26
R^2	0.7840	20226.70	
F ratio	36.78		

Source: computed from primary data
Significant @ 1% level

Table-2 shows the influence of independent variables on dependent variable of profit level of the medium duration entrepreneurs. The calculated F statistics is 36.78 which is significant at 1% level. Hence the R^2 value, which is equal to 0.7840, is taken to be significant as regards the independent variables. The t test shows that the

credit level, educational status and industrial category of the entrepreneurs have negative regression co-efficient on profit level of the medium entrepreneurs. It means that higher credit level, educational status, and industrial category result in lower profit level and vice versa. However, the investment status, family size, cost of production and productivity have positive regression coefficient on profit level of the medium entrepreneurs.

Table-3: Profits Level of Short duration Entrepreneurs

Variable	Co-efficient	Standard Error	T Value
Constant	536172.34	211416.41	2.53
X_1 = Investment	93257.41	30332.58	3.07
X_2 = Credit level	-45670.35	10881.93	-4.19
X_3 = Education	-84467.30	20856.38	-4.04
X_4 = Industrial category	-35406.72	10211.21	-3.46
X_5 = Family Size	44122.34	12516.25	3.52
X_6 = Cost of production	36715.60	12158.82	3.01
X_7 = Productivity	72615.30	10832.55	6.70
R^2	0.8542		
F ratio	21.65		

Source: computed from primary data
Significant @ 1% level

It is observed from the table-3 with regard to short duration entrepreneurs that the calculated F statistics is 21.65, which is significant at 1% level. Hence the R^2 value, which is equal to 0.8542, is taken to be significant as regards the independent variables. The t test shows that the credit level, educational status, and industrial category of the entrepreneurs have negative regression co-efficient on profit level of the short duration entrepreneurs. It means that higher credit level, educational status and industrial category of the entrepreneurs results in lower profit of the entrepreneurs and the vice versa. However, the investment status, family size, cost of production and productivity have positive regression coefficient on profit level of the large duration entrepreneurs.

Conclusion

Performance management is a scientific and complex management. The effectiveness of organizational performance depends on various factors. Under this study analysis was made with the help of multiple regression model and identified the influencing variables. The independent variables investment level, family size and productivity have positive influence on the dependent variable profit level of investment but credit level and industrial category have negatively influenced with respect to short, medium and long duration enterprises. It could be seen clearly that the entrepreneurs have taken care with regard to credit level and industrial category aspects so as to avoid decreasing of profit.

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