

# A Study on the Performance of Small and Medium Enterprises in Modern World

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## ABSTRACT

The present period brings new challenges concerning the organizational decision-making processes. On one hand, it is talked about a tendency of accelerating the rhythm of the decision. Speed is a characteristic of the modern world, the factors which affect the internal environment and the external environment of an organization that the decision-maker must take into account, being very unstable, each of their changes urging a very quick reaction from an organization that wants to be performance. Although the strategy formation process in large companies has been extensively and deeply researched, the strategy making in SME (small and medium sized companies) is largely under investigated by researchers. In our thesis, we find even for entrepreneurial SME owners, the process doesn't exhibit the characteristics of comprehensive and exhaustive environmental scanning and strategic analysis. Instead, the strategy formation in entrepreneurial SMEs is a combination of systematic planning and improvisation, a combination of pro-activity and reactivity.

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## 1. Introduction

One of the major issues encountered by the policy-makers until the Second Five Year Plan was to define the term "small" because the application of this term varied from one industry to another. The identification of small units for the purpose of assistance under various program necessitated clear-cut definition. Hence, various alternatives were suggested which included size of investment, size of employment, turnover, sources of energy, nature of activity etc. As per the definition, "the SME unit is a unit having overall investment of Rs.5 lakh and employing less than 50 persons when not using power." In various years the government has given various norms for the definition of SMEs, especially the definition was revised during the years 1958 to 2001, based on investment limits. After globalization of economy in 2001 several changes are incorporated in the definition of SMEs to include different categories like export oriented SME units and small size business enterprises.

### 1.1 Development Trend of Small and Medium Industries

The legacy of the present policy framework for development of small and medium industries enterprises in India derives from a conscious attempt to reconstruct and re-conceptualize pre-colonial and pre-capitalistic mode of production in the fabric of modern manufacturing activities.

On the other hand this approach was a political necessity to rehabilitate millions of distressed rural craftsmen, who could not survive the onslaught of the forces of colonial economic imperialism; on the other hand such compulsions forced the planners to make an attempt to evolve a development strategy to integrate this segment of the country in the overall ambit of successive Five Year Plans in India.

Ever since the formation of the National Planning Committee on Rural and Village Industries in 1938 the SMEs are conceived as the catalyst of industrial dispersal in the country. The industrial policies announced by the Central and State governments, have been providing various incentives for

accelerating the growth of SMEs sector 3. The performance of SMEs was focused mainly at national level while the issues related to size; growth, structure and productivity have received inadequate attention at the state level. The process of restructuring Indian economy through liberalization and decontrols has put the small enterprises at a critical juncture of intricacies concerning their future. Therefore, for any change in policy related to small industries there is a need for elaborate studies on the growth and performance of SMEs.

## 2. Literature Review

**Yvonne Brunetto and Rod Farr-Wharton (2010)** in "The Moderating Role Of Trust In SME s Owner/Managers' Decision-Making About Collaboration" The discoveries from this investigation recommend that the improvement of a trusting relationship is vital for SME proprietors/directors if the genuine advantages of systems administration are to gather. The discoveries additionally propose that despite the fact that most SME proprietors/directors demonstrated that the critical factor in deciding why they joined a system was to search for business openings, their trust inclination directed how they associated at organize meeting and, thusly, influenced their capacity to share pertinent information and/or perceive new business openings.

**C. P. Lawson, P. J. Longhurst and P.C. Ivey (2008)** "The Application of a New Research and Development Project Selection Model in SMEs" A specific new half and half venture determination display has been examined. A need to handle test the model was recognized. Subsequently, work has been finished to permit translation of the model into a material shape for a small engineering organization. While documentation of task determination show improvement in the scholarly community and industry are broad, reports of model assessment and use inside industry are moderately rare. While a few examinations have been led on show use in huge organizations, applications inside SMEs remain generally undocumented. This research has delivered bits of knowledge into the utilization of R&D venture choice models in SMEs by

testing an as of late created hybrid undertaking determination demonstrate in a UK-based engineering SME. The paper examines Research and Development (R&D) venture determination models, Work is done to empower the new task choice model to be connected in a SME and the model is then field tried

**Lect. Radu Ogarcă (2009)** Ph.D Features of the Decision-Making in SMEs, this paper is a writing survey on the basic leadership issues in a small and medium enterprise. The initial segment proposes an outline of the fundamental speculations and methodologies with respect to the administrative choice and the basic leadership process, as a rule. In the second part, it tries to recognize some particular components of basic leadership forms inside SMEs, having as help the components of the initial segment. Petra Gibcus, Patrick A.M. Vermeulen, Jeroen P.J. de Jong "Vital Decision-Making in Small Firms: Towards a Typology of Entrepreneurial Decision-Makers" The quantitative study explored the basic leadership process in SMEs.

**Karla Díaz, Ute Rietdorf and Utz Dornberger (2008)** "Organization together Decision-Making of SMEs" The basic part of basic leadership process with respect to the decision of being drawing in into cooperation merits specific research consideration. This paper is centered around the organization together basic leadership process with uncommonly accentuation on SMEs. The fundamental commitment is to give a system of various components that have affected organization together basic leadership process. In view of Social Capital and Social Exchange, this research focuses his investigation on an example of SMEs from Mexico in which both, experienced and unpracticed cooperation's business people were considered. Our proposition included twelve factors which were analyzed to discover their effect on the partnership basic leadership.

**Glenn A. Metts (2005)** "Basic leadership And Strategy Development In SMEs: An Empirical Investigation Into The Role Of Adaptation" This research explores the idea of basic leadership in small and medium-sized manufacturing organizations (SMEs). The part of adjustment is investigated through another proposed build, versatile basic leadership. Versatile basic leadership (ADM) is characterized as "a cognizant or oblivious inclination to put a high need on adjustment to the earth all through the basic leadership process". ADM depends on the start that best chiefs in SMEs have a versatile introduction toward basic leadership that effects procedure advancement. Information was accumulated from more than 500 SME manufacturing worries in the US to create and test ADM. The connection between versatile basic leadership and manufacturing procedure is investigated utilizing SEM. Results propose that versatile basic leadership assumes a critical part in the development of system in manufacturing SMEs.

### 3. Methodology

This study looks to edify the components that impact financial decision making from the SME owners' perspective. The study additionally expects to clarify the outcomes of the financial decision making decisions on the organizations' execution. This part depicts and legitimizes the methodology used to address the overall research question tended to by the study: "What are the elements that impact the financial decision making of SMEs in India?" The section begins by talking about the examination approach and the exploration plan. It at that point proceeds onward to depict and legitimize the particular research techniques utilized. These are partitioned into those utilized for the preliminary study and the main study. These two areas consolidate data about how the data was collected and an avocation of the measurable tests utilized. . The outcomes are probably going to be high in unwavering quality, which implies that if the study is imitated by other researcher similar outcomes are probably going to be accomplished.

The data collection technique for the preliminary study was a mix of individual and gathering semi-structured interviews. The main explanation behind leading some gathering interviews was on the grounds that this is a helpful and effective method for gathering data. It can likewise create more thoughts as interviewees might be invigorated by the perspectives of others and talk about issues in more profundity.

### 4. Analysis

This subsection depicts the variables utilized in the subsequent analysis of the determinants of decision making. The variables incorporate both reliant and autonomous (straight out and ceaseless) variables.

#### **Dependent variables: Sources of finance**

Wellsprings of finance were estimated by four variables: held income (RE), individual monies and assets from loved ones (PF&F), obligation financing (DEBT), and outer value (EE). Table 5.4 presents the depictions of ward variables utilized in this examination. Respondents were solicited to express the decisions from finance utilized by the organizations. All the above variables are dichotomous variable. Every factor is coded 1 if the firm utilized the particular wellsprings of finance and 0 generally. Table demonstrates that dominant part of the organizations wanted to utilize held profit as their wellspring of financing, trailed by proprietor's own commitments or assets from loved ones and obligation finance. Outer value being the minimum favored wellsprings of financing where just 34 firms utilize it as their wellsprings of finance

**Table 1: Main study: Sources of finance**

Variable	Description	Data	N	Min	Max
RE	Whether they use retained earnings	Nominal	353	0	1
PF&F	Whether they use personal savings, funds from friends and family, sale of assets, or informal funds	Nominal	335	0	1
DEBT	Whether they use short term bank loans, bank overdraft, trade credits, factoring, invoice finance,	Nominal	305	0	1

	leasing, hire purchase, or long term debts				
EE	Whether they use venture capital, business angels, private investors, government grants, or other external equity	Nominal	35	0	1

**Independent variables: Categorical variables**

**a) The sample firms**

A sum of 384 SMEs participated in the fundamental investigation, which appeared as a review. The dominant part were sole proprietorships (67%); 13% were partnerships and

20% were restricted risk organizations. Roughly 75% were in the administration area and the leftovers were in the assembling division. Table beneath gives additionally subtle element.

**Table 2: Main study: Demographics of the firm**

Variable	Definition	Expected sign
AGEBIZ	Year of incorporated minus 2010 (1 = < 1 year, 2 = 1–3 years, 3 = 4–10 years, 4 = > 10 years)	-
SIZE	Size of the firm (1 = micro [< 5 employees], 2 = small [manufacturing = 5-50 employees; Service= 5-19 employees], 3 = medium [manufacturing = 51-150 employees; service = 20-50 employees])	+

**Table 3: Main study: Frequency distributions for the sample firms**

Variable	Number coded	Number coded	Number coded	Number coded
	1	2	3	4
AGE	15	35	86	252
SIZE	176	141	70	-

Table 3 presents the recurrence dispersion for the statistic variables for the 384 example firms that partook in the primary overview. The table outlines that around 65% of them have worked for over 10 years and moderately few were under 1 year (3.6%), between 1 to 3 years (9%) or between 4 to 10 years (22%). The table demonstrates that more than 33% of the examples are little estimated firms, 45.6% of them are miniaturized scale measured firms, and the remaining are medium-sized firms.

**5. Conclusion**

This part gives a comprehension on the respondents, the organizations and condition that are incorporated into the present examination's example. A comprehension of this foundation set the phase for advance examination of the example, particularly to explore the determinants of decision

making in SMEs. By and large, the attributes of the respondents mirror a wide portrayal of entrepreneurs regarding age, ethnicity, instructive level involvement, observation and mentalities, targets and objectives, and culture. Attributes of the firm contain age and size of firm; while administration execution comprise of profitability, asset structure and business arranging. The outer factors center for the most part on nature. Most proportions of determinants of decision making watched an extensive variety of reaction. The subtle elements examinations parts are talked about in the accompanying sections. The main segment examinations the qualities of the proprietors and firms and the ensuing segments show the discoveries identifying with administration execution and outside factors that impact the decision making of the firm.

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