Technical Efficiency of MSME Clusters in Tamil Nadu

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Abstract

The Micro, Small and Medium Enterprises (MSMEs) sector plays a vital role in the economic development of the country by contributing 40% of the industrial production, 95% of the total industrial units and 35% of exports of the country. There are nearly 6.31 lakhs registered MSMEs in Tamil Nadu as on 31.3.2010 providing employment to 43.92 lakhs persons with a total investment of about Rs.26136.00 crores and this sector is a major employment provider next only to Agriculture. For inclusive growth and sustainable development most of the MSMEs has adopted the Cluster Development Approach.


The methodology adopted is collection of data from Performance Budget and Policy Note of MSME Department, Government of Tamil Nadu and analyzing with Data Envelopment Analysis of Input Oriented Charnes Cooper and Rhodes (CCR) and Input Oriented Banker Charnes Cooper (BCC) Model by taking No. of units and Employment as inputs and Turnover in Crores as a output. A DMU is efficient if \( \theta = 1 \), \( S^- = 0 \) and \( S^+ = 0 \).

Tirupur Textile Cluster and Tirunvelveli Brick Cluster has got \( \theta = 1 \) and \( S = 0 \) (Score =1 and Rank =1) and for other 17 MSME clusters \( \theta < 1 \) and \( S > 0 \) (Score <1 and Rank = 3 to 19). The non-zero \( \lambda_i \)'s represents the weights for efficient clusters viz., Tirupur Textile Cluster and Tirunvelveli Brick Cluster and are considered as peers to 17 MSME Clusters. The \( S > 0 \) obtained for other 17 MSME clusters reveals the excess no. of units (S-) in 13 MSME Clusters and employment (S-) in the 5 MSME Clusters by keeping the turnover (S+) as constant. However the Variable Returns to Scale (VRS) are increasing for 17 MSME clusters.

To conclude, for inclusive growth and sustainable development, the inefficient MSME clusters should increase their turnover, as decrease in no. of enterprises and employment is practically not possible. Moreover the MSME Clusters should strengthen infrastructure interrelationships, technology interrelationships, procurement interrelationships, production interrelationships and marketing interrelationships and should make use of the benefits announced by Government of TamilNadu on New Industrial Policy, 2006 and Micro, Small and Medium Industries Policy, 2008 and Government of India on MSMED Act, 2006 and National Manufacturing Competitiveness Programme.