

An Efficiency Analysis of Micro Units in a Fragile Zone: A Panel Study of the Firms in J&K, India

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Abstract

The micro, small and medium enterprises (MSMEs) are the backbone of the community development in the developing world. In the fragile and backward regions, it is the micro enterprise that is considered to be the engine of growth and development. Being labour-intensive and requiring lesser capital input, the micro unit start-ups demand lesser investment in plant and machinery, attracting more and more potential entrepreneurs. Over the time, such units gain experience and knowledge becoming more efficient. This article studies the firms located in the fragile and geographically remote region of Jammu and Kashmir. The article uses a panel of 15 years from 2002 to 2016 based on the Annual Survey of Industries data. Using the Stochastic Frontier Analysis, the article studies the MSMEs and the micro units. From the post-estimation, technical efficiency scores are attained for both MSMEs and the micro units. The results reveal that the micro units are more efficient than the MSMEs in general. Tobit regression is used to estimate the technical inefficiency

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