Chapter VII

Major Findings, Recommendations and Conclusion
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CHAPTER VII
Major Findings, Recommendations and Conclusion

7.0 Introduction

In the changing scenario of globalization and liberalization, it is crucial to take a long and hard look at the small scale sector in India. The Small Scale Sector in India is very diverse producing over 8000 products, from traditional handicrafts to high-end technical instruments. Generalizations are difficult because, though there are firms which are growing rapidly, there exists 138000 sick units as well within the sector.

Despite several initiatives taken by the Government to speed up the growth of the industrial sector, even now various challenges exist in the Indian Industrial Sector. Some of them are lack of institutional credit, lack of research and development, problems of marketing and labour.

The crux of the study is the analysis of the role of the MSME-DI in the development of the MSMEs in Kerala. Being a pioneer one, the study reveals some of the highly important aspects of the working of the important industrial promotion agencies of the central and State Governments, especially the MSME-DI. The study shows a detailed picture of the Indian MSMEs since independence, Government measures during the post independence period, the global MSME scenario, and the effectiveness of the industrial promotion agencies. It also highlights the working of the MSME-DI for the promotion of the industries in
Kerala. The study also reveals the main problems faced by the Micro, Small and Medium entrepreneurs of Kerala.

Clear indications are given about the possible strategies, which can be adopted to rescue the small industries sector. Isolated efforts will not be sufficient and the Government also has realized it. It has become quite aware of the need for an industrial revolution. It does take the necessary steps for the growth of the industrial sector in Kerala.

The findings of the study lead to the conclusion that calculated efforts can work wonders in the field of the industry, leading to a large volume of foreign exchange inflow into the state.

Before proceeding to the results of the analyses and findings, it will be appropriate to restate the major objectives of the study.

7.1 Objectives of the Research

The objective of the study was to analyse the role of the MSME-DI in the development of the MSMEs in Kerala. However, the following are the specific objectives of the study.

1. To evaluate the effectiveness of the training programmes of the Institute.

2. To analyse the effectiveness of the workshop facilities provided by the Institute.

3. To examine the effectiveness of the consultancy services of the Institute.

4. To illustrate the effectiveness of the development and support services of the Institute.
5. To identify the various problems faced by the MSM Entrepreneurs and the steps taken to solve them.

6. To appraise the role of the other agencies in the development of the MSMEs in Kerala.

7. To assess the performance of the MSM Entrepreneurs in the various aspects of entrepreneurship and to make suggestions on the basis of the study.

7.2 Research Hypotheses

Based on the objectives of the study, the following major Research Hypotheses are formulated and tested.

H$_1$. The training programmes conducted by the MSME-DI are effective for the development of the MSMEs in Kerala

H$_2$. The workshop facilities offered by the Institute are more effective from the practical side of entrepreneurship

H$_3$. The consultancy services offered by the Institute are very effective

H$_4$. The majority of the entrepreneurs are satisfied with the development and support services of the Institute.

H$_5$. The majority of the entrepreneurs face problems of finance, labour and production.

H$_6$. The Government agencies other than the MSME-DI have a significant role in the development of the MSMEs in Kerala.
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7.3 Major Findings

On the basis of the statistical inference and observations, the following findings are considered relevant and worth noting.

A. General

- The Government policies and support for the MSMEs are sufficient enough for the growth and development of the MSMEs in India. In the post independence era, the Government of India has taken a number of measures to protect and promote the MSMEs. They enjoy a special status regarding Government policies. But the policy regulations relating to the small scale sector are such that they make the units stay just that small.

- Incentives and encouragements given by the central Government have enabled a substantial growth in the small scale industrial sector. They include subsidies, exemptions and the incentives.

- The Micro, Small and Medium Enterprises Development Act (MSME-D Act) is the latest of the initiatives taken by the Government for promoting the development of the MSME sector.

- The study reveals that the commercial banks, private money lenders and co-operative societies give considerable amount of credit to the MSMEs.

- The MSME sector has a major role in the Indian economy. It forms a significant segment of the Indian Industrial sector. It also has made a significant contribution towards the technological development and exports.
The MSME sector comprises 50 percent of India’s total manufactured exports, 45 percent of India’s Industrial employment and 95 percent of all industrial units in the country.

In Kerala the MSME sector plays a pivotal role in terms of economic growth and employment generation. The total number of the working MSME units registered in Kerala as on 31st March 2009 is 204381.

The MSMEs face problems at every stage of their operations, whether it is the buying of raw material, the manufacture of products, the marketing of the goods or the raising of finance.

The major problems confronting the sector have been identified as; technology obsolescence, managerial inadequacies, delayed payments, poor quality, incidence of sickness, lack of appropriate infrastructure, lack of a favorable marketing network.

Inadequate access to credit is a very major problem facing the MSMEs in India. Generally such enterprises operate on tight budgets, often financed through the owners own contribution, loans from friends and relatives and bank credit.

The majority of the MSMEs use old techniques of production and outdated machinery and equipment.

The small scale units encounter several difficulties in the marketing and distribution of their products. Most of them do not have a good marketing network.
The MSMEs cannot afford to spend much on advertising, sales promotion and research. They also face stiff competition from large firms.

India has set up, over the years, a broad-based institutional structure for the promotion of the MSMEs. They are classified as financial institutions and non-financial institutions.

The industrial sector of Kerala consists of just traditional industries, many medium and a few large industries in both the public and private sectors.

In order to revitalize the economy and give a fillip to the industrial growth in the state, the Government of Kerala has established various industrial promotion agencies. Besides Government departments and Government holding companies engaged in the development of industries in the different categories, there are specialized corporations sponsored by the state government assigned with the task of industrial promotion.

Different incentive schemes applicable to the MSME sector in India are in operation. The schemes are offered by the central and the state governments. They include; transport subsidy, capital investment subsidy, subsidy for power generation, sales tax exemptions, exemptions from income tax, price preference to the SSI units and subsidized cost of market studies.

The taxation benefits available to the MSMEs are; tax holiday, depreciation allowance, development rebate, rehabilitation allowance and investment allowance.
The Government of India does launch a number of schemes and incentives to supplement the efforts of the states and union territories by providing supportive measures so as to enhance the competitiveness of the MSMEs in the country. The new initiatives include; activities and programmes for women in the MSME sector, training for women entrepreneurs, trade related entrepreneurship assistance and development schemes for women, rural employment generation programmes and mahila coir yojana.

The analysis of the performance of the various industrial promotion agencies in Kerala indicates that these institutions have performed their role to a quite satisfactory level. But it has to be pointed out that they have to go still a long way to fill the gaps in the field of industrial finance in Kerala.

The commercial banks play a very important role in providing financial assistance to the small scale industries both existing and new ventures. The small scale sector started getting attention from the commercial banks only after nationalization.

B. Assessment of the MSME-DI from the point of view of the MSM Entrepreneurs

The MSME-DIs have a wide range of technological, management and administrative tasks in the industrial field. Definitely they take definite steps to popularise entrepreneurship and motivate the entrepreneurs to adopt it as their career. Assistance is provided to the MSMEs in various
forms. It consists of motivation campaigns (MCs), Entrepreneurship Development Programmes (EDPs), Entrepreneurship Skill Development Programmes (ESDPs), Management Development Programmes (MDPs), Preparation of Project Profiles, Cluster Development Programmes, Workshop Services and Export Assistance.

- A majority of the micro, small and medium entrepreneurs have ‘very high’ or ‘high’ level of awareness about the MSME-DI, irrespective of their scale of operation.

- 82.5 percent of the Micro Entrepreneurs have very high awareness about the working of the Institute. Among the Small Scale Entrepreneurs, 70 percent have either very high or high awareness about the Institute and 75 percent of the Medium Scale Entrepreneurs have very high or high awareness level. The district wise comparison shows that the majority of the entrepreneurs, 50 percent of the Kottayam district, 66.7 percent of the district of Thrissur, 53.3 percent of the entrepreneurs of Pathanamthitta and 66.7 percent of the district of Alappuzha have very high awareness about the Institute. Both the trading and non trading entrepreneurs have very high awareness about the Institute.

- The entrepreneurs do not differ scale wise with regard to the awareness about the MSME-DI.

- The majority of the entrepreneurs have undergone the training programmes provided by the Institute.
The Institute offers different services such as training, workshop facilities, consultancy services and development and support services. Most of the entrepreneurs, irrespective of their scale of operation approach the Institute for training. 62.5 percent of the micro entrepreneurs, 62.5 percent of the small entrepreneurs and 50 percent of the medium entrepreneurs have a ‘very high’ or ‘high’ degree of satisfaction.

The majority of the entrepreneurs have ‘very high’ or ‘high’ level of satisfaction from the training programmes of the Institute.

Eventhough, the same type of training is given to the entrepreneurs of the different districts, there is significant difference in the satisfaction level of the trainees from the different districts. 33.3 percent of the entrepreneurs of the district of Kottayam and Thrissur have a very high level of satisfaction from the training programmes.

There is a clear difference in the level of satisfaction with respect to the area of operation of the entrepreneurs varies. The level of satisfaction of 20 percent of the micro entrepreneurs is ‘very high’. But it is only 12.5 percent for the small and only 7.5 percent for the medium entrepreneurs.

The various training programmes of the Institute are very effective from the point of view of the entrepreneurs.

The MSM Entrepreneurs are satisfied with the workshop facilities of the Institute. The scale wise comparison proves that 70 percent of the Micro entrepreneurs, 67.5 percent of the small entrepreneurs and 80 percent of the medium entrepreneurs have a ‘very high’ or ‘high’ degree of
satisfaction in the workshop facilities. The category wise analysis also proves that more than 55 percent of the trading entrepreneurs and 76 percent of the non trading entrepreneurs have a ‘very high’ or ‘high’ level of satisfaction.

➢ The consultancy services of the Institute are also quite good. More than 60 percent of the micro, small and medium entrepreneurs have ‘very high’ or ‘high’ degree of satisfaction in the consultancy services as well. The district wise comparison also proves that the entrepreneurs have great satisfaction from the consultancy services.

➢ The entrepreneurs have good satisfaction in the development and support services of the Institute.

➢ 50 percent of the Micro entrepreneurs, 40 percent of the small entrepreneurs and 45 percent of the medium entrepreneurs are of the opinion that they have a ‘very high’ or ‘high’ degree of satisfaction in the development and support services.

➢ The district wise comparison proves that the majority of the entrepreneurs of the different districts have a ‘very high’ or ‘high’ level of satisfaction. In the category wise comparisons it is less than 45 percent who have a ‘very high’ or ‘high’ level of satisfaction.

➢ The entrepreneurs are satisfied with the training programmes because of their ‘quality’ and ‘timeliness’. The main reasons for satisfaction for the workshop facilities are that they are ‘less expensive’ and that they use the ‘latest technology’. The consultancy services are effective as they are also
‘timely’ and ‘less expensive’. ‘Timely’ and ‘less expensive’ are the reasons for satisfaction in the development and support services.

- The skills developed by the entrepreneurs through training are ‘self confidence’ and ‘leadership’. ‘Speed’ and ‘accuracy’ are the skills obtained through the workshop facilities of the Institute. ‘Better utilization’ of resources and ‘reduction of wastage’ are the benefits obtained by the entrepreneurs through the consultancy services.

- It is found that almost all the entrepreneurs face very serious and damaging problems in the fields of labour, production, finance and marketing.

- High labour cost and absence of trained staff are the main labour problems. High cost of production and outdated machines are the main problems in the production field. High cost of marketing and transportation are the main marketing problems. The major financial problems consist of the problem of liquidity and high cost of capital.

- 89.2 percent of the entrepreneurs adopt measures to solve the problems of finance. They depend mostly on co-operative banks and private money lenders.

- Only 14 percent of the entrepreneurs adopt some measures to solve the marketing problems they face. They adopt ‘own transportation’ for solving the marketing problems, which is found to lead to high cost of distribution.
Only an insignificant number of entrepreneurs adopt systems to solve the labour and the production problems. i.e. 15.7 percent adopt some systems to solve the problems of labour and 23.7 percent to solve the problems of production.

The entrepreneurs have made various developments in their concerns with the help of the MSME-DI. The prominent among them are modernization and mechanization.

The scale wise comparison regarding the awareness of the MSM Entrepreneurs with regard to the other agencies shows, that when the scale of operation rises, their awareness also goes up. It is obvious that the level of awareness of the medium entrepreneurs are high when compared to the micro and the small scale entrepreneurs.

Only less than 50 percent of the entrepreneurs are satisfied with the development and support services of the other agencies.

Most of the entrepreneurs are satisfied with the overall performance of the Institute.

The respondents are of the opinion that the Institute should concentrate more on finance and marketing aspects.

The entrepreneurs like training programmes because of their quality.

The training programmes improve the self confidence and leadership qualities of the entrepreneurs.
The entrepreneurs are satisfied with the workshop facilities because they are less expensive and they make use of the latest technology.

Better utilization of the resources and the reduction of wastage are the benefits obtained by the entrepreneurs from the consultancy services of the Institute.

The entrepreneurs are satisfied with the development and support services because they are less expensive and timely.

A good many of the entrepreneurs adopt some measures to solve the problems of finance and they approach primarily the co-operative banks.

C. **Assessment from the point of view of trainees**

The trainees have quite satisfactory awareness about the Institute. But even here there is 4 percent having ‘very low’ awareness. It shows that there are trainees who are unaware of the activities of the MSME-DI.

The trainees visit the institute for various purposes such as Training, Workshops, Consultancy and support services. The main aim of the majority of the common people is to get training in the industrial field.

The majority of the trainees have only moderate awareness about the services of the Institute even after training. 2 percent of them are ignorant of the services of the MSME-DI even after training.

There are a large number of common people who visit the Institute for enquiry regarding starting of the MSMEs.
Trainees have undergone different types of training programmes which include Entrepreneurship Development Programmes (EDPs), Entrepreneurship Skill Development Programmes (ESDPs) and Management Development Programmes (MDPs). The majority of the trainees have attended the ESDPs.

The majority of the trainees have ‘very high’ or ‘high’ level of satisfaction in the training programmes of the Institute. Almost all the trainees developed ‘self confidence’ through the training.

Trainees having clear awareness about the training programmes will have more satisfaction, similarly in the workshop, consultancy and support services.

As far as the trainees are concerned, the best type of training is the ESDP. The level of satisfaction of the different types of training are statistically different.

The study reveals that there is a great difference in the level of satisfaction between the entrepreneurs and trainees with regard to the training programmes of the Institute.

There is no significant difference in the satisfaction level of trainees from the different districts.

The satisfaction level towards different types of training programmes are statistically different.
D. Assessment from the point of view of Officers

- From the point of view of the officers, the entrepreneurs are highly aware of the promotional institutions and their schemes. As they are aware of the schemes of these agencies, they make use of the facilities offered by them.

- They are of the opinion that the entrepreneurs are excellent with regard to their participation in training, workshops and seminars.

- But most of the entrepreneurs are not good at project identification and project preparation.

7.4 Recommendations

- The government should take effective steps to reach the MSME promotion schemes to the targeted group.

- Commercial banks and the other financial agencies should implement liberal financial schemes for the MSMEs in Kerala. They must provide easy lending schemes by reducing the legal formalities for getting loan.

- The occurrence of hartals and other similar strikes should be put to an end. Steps should be taken to improve the industrial image of the state.

- Most of the entrepreneurs of Kerala find it difficult to adopt a good system of marketing. This is because they need heavy investment for the same.
➢ The majority of the entrepreneurs face the problem of high cost of capital and the non availability of credit. Some of them have inadequate banking facilities as well.

➢ The investment climate prevailing in the state is not conducive to the proper growth of the micro, small and medium enterprises.

➢ The Government should take effective steps to provide skilled labour to the various MSME units in Kerala.

7.5 Conclusion

An analysis of the small scale sector in India is in some ways both heartening and disconcerting at the same time. What one sees is a sector with enormous potential, which seems to be growing despite the many restraints.

What, should therefore, be the lookout of the sector in the future. Where are its growth opportunities and how can government policy help it reach there? What should be the focus of the sector? What should be the policies to be adopted?

Small scale industries enjoy certain inherent strengths such as lower overhead costs, flexibility in production, informality in labour relations, possibility and accessibility of local resources and skills, capacity to execute small orders and to offer customized services. Further, the small scale sector is capable of offering the niche services which the larger manufacturers cannot.

To counter competition in the long run and to be economically viable, the small scale sector need to improve its productivity and quality, reduce costs and
innovate. Government policy should promote the small scale sector by providing them means to increase their efficiency and competitiveness within a market driven economy. For this it is essential that it no longer follows a protectionary stance, which is harmful to the sector. What is required is an enforcement of time bound concessions, emphasis on core-advantage of small scale sector, emphasis on innovations, provisions of more credit to the sector, and strengthen local associations of small units as collectively they can counter many of their problems. Till date, however, the policies have been paternalistic in nature, leading to dependency. The skewed approach of the government ensured that small units had no incentive to actually solve their common problems of inadequate finance and lack of information. Instead the policies only created perverse incentives for these units to remain small. They were ever unable to provide infrastructure and remove the basic problems of small units such as limited access to the markets and finance. New approaches like the cluster approach or harnessing the power of industry association should be encouraged.

Undoubtedly the small scale sector has enormous potential and is a crucial aspect of the Indian economy. However, for the sector to fully realize its potential, it is essential that it firstly wakes up to the new reality of a liberalizing India and secondly that the Government should realize the urgent need for a shift in policy, regarding the sector, so as to allow it to flourish. The MSME-DIs, therefore, should be more practical and make their efforts more fruitful for the MSM Entrepreneurs.
7.6 **Scope for further research**

There are many areas related to the MSMEs and the promotional agencies where further academic attention is needed. The following are the prominent among them:

2. Government intervention in the field of the MSMEs.
3. Ministry of the MSME as a Nodal Ministry on Entrepreneurship Development by the Government of India.
4. Labour problems faced by the MSMEs in Kerala.
5. Credit schemes provided by the financial institutions to the MSMEs in Kerala.
6. Growth opportunities of the MSMEs in Kerala.
7. The working of the MSME clusters in Kerala.