CHAPTER VI

FINDINGS, SUGGESTIONS AND CONCLUSION

This chapter focuses a summary of the study, its findings problems and suggestions further scope for research and the overall inferences of the study.

6.1 Introduction

The small and medium enterprises (SMEs) today constitute a very important segment of the Indian economy. The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale enterprises. SME sector has emerged as a dynamic and vibrant sector of the economy. Today, it accounts for nearly 35 per cent of the gross value of output in the manufacturing sector and over 40 per cent of the total exports from the country. In terms of value-added, this sector accounts for about 40 per cent of the value-added in the manufacturing sector. The sector's contribution to employment is second highest next to agriculture.

The SME sector has grown rapidly over the years. The growth rates during the various plan periods have been very impressive. The number of small-scale units has increased from an estimated 6.79 million units in the year 1990-91 to over 13 million in the year 2007-08. When the performance of this sector is viewed against the growth in the manufacturing and the industry sector as a whole, it instills confidence in the resilience of the SME sector.

This sector is ideally suited to build on the strengths of the traditional skills and knowledge, by infusing technologies, capital and innovative marketing practices. This is the opportune time to set up projects in the sector. It may be said that the outlook is positive, indeed promising, given some safeguards. This expectation is based on an essential feature of the Indian industry and the demand structures. The diversity in production systems and demand structures will ensure long term co-existence of many layers of demand for consumer products / technologies / processes. There will be
flourishing and well-grounded markets for the same product/process, differentiated by quality, value-added and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units. The promotional and protective policies of the Government of India have ensured the presence of this sector in an astonishing range of products, particularly in consumer goods. However, the bottleneck of the sector has been the inadequacies in capital, technology and marketing. The process of liberalisation coupled with Government support will therefore, attract the infusion of these in this sector. In this venture the role of DIC is considered to be very vital.

The study aims to analyse the role of District Industrial Center in Promotion of Small and medium enterprises, a study with special references to Thoothukudi District, Tamilnadu. Based on the concept discussed above the following objectives were constructed for the effective conduct of the study: to study the growth and promotion of SME units in India and Tamilnadu in general, and Thoothukudi district in particular, and the Contribution of DIC, to study the socio-economic and business profile of SME units functioning in Thoothukudi district, to evaluate the nature of problems faced by the SSI units functioning in Thoothukudi district before joining DIC and to measure the nature of business growth experiences by the SME entrepreneurs after joining DIC and to analyze the perception of SME entrepreneurs about the service performances of DIC.

The research methodology of the study consists of two fold experience: explorative and descriptive based on the familiarity of the area; Thoothukudi District is selected as the study area. In the current study, multistage sampling techniques have been adopted. For the selection of Industrial blocks, cluster based random sampling techniques were used and for the primary data collection from the sample SSI entrepreneurs from the sample “blocks” purposive sampling techniques has be applied. A well-structured open and close-ended interview schedule-was used as data collection tool. Out of the 641
SME units registered under DIC, 34 per cent were chose for survey. Out of 12 industrial blocks currently functioning in Thoothukudi district 4 were chosen as the sample i.e., Kayathar, Kovilpatti, Thoothukudi and Tiruchendur. From each zone 57 per cent of the SSI units were chosen on purpose a base for collection of primary data, the total sample population is summed as 210 SME entrepreneurs.

6.2 Findings

The major findings of the Study are briefly summarised as follows:

I. Socio-Economic Profile

- From the study it has been observed that 95.20 per cent SME units are owned by male entrepreneurs. Further it has been inferred that out of the 210 respondents 62.40 per cent are aged below 25-40 years old.

- It has been concluded that majority i.e., 46.20 per cent SSI entrepreneurs belong to most backward community. From the study it has been observed that 37.10 per cent of the entrepreneurs in Thoothukudi districts are Muslims. It is also clear that the majority i.e., 90 per cent of the entrepreneurs are married in the Thoothukudi district.

- From the study it has been observed that the majority i.e., 83.30 per cent of the entrepreneurs have 1-3 members in their family. From the detailed analysis it has been concluded that majority i.e., 35.20 per cent of the entrepreneurs are graduates in Thoothukudi district.

II. Business Profile

- It has been clearly inferred that majority i.e. 32.40 per cent of Sample SME units are partly textile-based industry segment, 75.20 per cent of SMEs are permanent members of industrial support agency, DIC, 70 per cent of the entrepreneurs have gained previous work experience in their
entrepreneurial business ventures. Further it has been observed that 80.27 per cent of SMEs have work experience in the same industry.

• The study confines that 47.62 per cent of the entrepreneurs are influenced by their parent’s business. It has been clearly inferred that majority i.e., 31.90 per cent of SMEs said that they chose a particular industry, for reason is existence/no-existence of similar industries in the neighborhood.

• From the study it has been observed 57.10 per cent of SEMs units are located in rural area. It has been found that the 72.40 per cent of the entrepreneurs have located their industry in developed area.

III. Problems Faced by SMEs

• From the study it has been concluded that majority i.e., 31.79 per cent entrepreneurs have said that they are facing marketing competition from large scale entrepreneurs. It has been found that 25.88 per cent of SMEs face shortage of working capital.

• It could be concluded that 22.12 per cent of the entrepreneurs have said that high prices of raw material supplied in the market is the major issue faced with reference to raw-material procurement process. It has been found that 16.55 per cent of the entrepreneurs have opined that absenteeism of labour is major constraint faced by them and it hinders their production cycle and 30.17 per cent of SMEs face scarcity/are in short supply of power.

• It has been found that majority i.e., 41.38 per cent of the entrepreneurs opine that non-availability of skilled workmen is a major issue faced by their industrial block.

• With the help of reliability analysis, there exists no significant association between the SMEs entrepreneurs’ opinion on the operational
problems faced by them in the conduct of their business. The nature of problems differs from one geographical cluster (block) to the other.

IV. Nature of Assistance Received from DIC

- It has been found that 76.67 per cent of the entrepreneurs are availing DIC assistance. From the detailed analysis it has been concluded that 77.08 per cent of the entrepreneurs have got more than one kind of assistance from DIC and 69.05 per cent of SMEs have received financial support and subsidy through DIC.

- From the study it has been observed that 87.62 per cent of the entrepreneurs have availed financial incentives being the member of DIC, 66.19 per cent of SMEs have received margin money assistance under RIP scheme and 70 per cent of the entrepreneurs have borrowed money under PMRY scheme.

- Further it has been observed that 58.57 per cent of the entrepreneurs have borrowed money from NSIC for purchase of machinery through DIC’s assistance and 75.39 per cent of SMEs have attended industrial dissemination meeting organized by DIC in their region.

- It has been found that 79.46 per cent of the entrepreneurs had attended entrepreneurial promotion motivation campaign organized by DIC and 65.20 per cent of the entrepreneurs had attended training programs organised by the DIC for their technical, managerial.

- It has been evident from the study that 78.02 per cent of entrepreneurs have availed single window clearance committee assistance for the business development process.
• It has been concluded that majority i.e., 59.76 per cent of the entrepreneurs have approached DIC to seek support service for getting clearance from electricity board.

V. Business Growth

• It has been observed that business performances of sample SMEs’ have significantly improved after approaching DIC for various kinds of assistances and their registration in DIC as a member in term of: working capital, Sources of raw-materials Procurement, Number of workers employed, Number of man-days-work generated, installed Capacity utilization, Raw material, Labour, power and other expenses incurred annual sales and profit/loss incurred. Reliability value of the opinion expressed by the sample SSIs entrepreneurs’ about the improvement in business performances are proved to be reliable and valid.

• The result of paired ‘t’ test also confirms the statement given as conclusion in this sub-section that the business performance of SSI entrepreneurs has significantly improved after registering in DIC.

VI. Perception of SME entrepreneurs about the performance of DIC

• From the elaborate discussion of data it has been inferred that majority of the sample SMEs have opined that DIC acts as the best channel for the Government of India in assisting SMEs, this variable is ranked as the first and foremost.

• The result of multiple regression analysis also proves the above mentioned statement as true. Since the hypothesis framed and tested stands accepted. Thus it has been concluded that there exists close association between the regional locations of regions of SMEs units it is on the positive.
• From the elaborate survey it has been inferred that majority i.e., 4.29 SMEs on an average have said that heavy bureaucratic procedure for registration is cumbersome and hinders their relationship with DIC, this variable is placed in the first. On the other side 4.28 SMEs’ on an average have said that the banks have no flexibility in sanctioning the loans to SME units which are recommended by DIC, on a mean value of 4.07 sample SMEs’ complain about the formalities and procedures followed for obtaining through DIC and 4.04 SMEs’ on average opine that DIC does not encourage innovative entrepreneurs, these variables are placed in the third and fourth places. These are considered as the negative operational shortcoming of DIC, as government support agency.

• The result of multiple regression analysis also proves the above mentioned statement as true. Since the hypothesis framed and tested stands accepted. Thus it has been concluded that there exists close association between the location regions of SMEs and their negative perception towards the performances of DIC in assisting SMEs.
6.3 Suggestions

India’s SME sector has to continue as ‘growth sustaining sector’ for the developing economy of India. Following suggestions have come forth from the day-to-day live experiences of innovative SME entrepreneurs. These suggestions expect serious and apt attention and action on the part of government of India and the institutions of Research and development whose initiative and commitment would decide future growth of SME innovations and future prospects of Indian SMEs ‘going global’.

I. Suggestions to Government Agencies and Policy Makers

- Government has to not more as a facilitator for the sound and rapid growth of SME innovations.
  - Its role mainly lies in creating and maintaining ‘enabling environment’ for SME innovations. Innovative SMEs which survive first five years in their respective business lines want no tax relief. They would rather prefer ‘single major tax’ to be paid once instead of several taxes, through several forms at several offices. Government should allow enough time and scope to the SMEs for concentrated efforts towards innovations. Innovation in MSME clusters in India suffers primarily from lack of access to technology, financing, skills, mentors and effective, collaborative ecosystems. These issues have to feasibly and efficiently tackle by the government agencies.

  - Government / Public R&D institutions also Defense laboratories should become ‘SME friendly’ and should be given a definite target programme to enhance innovative capabilities of the SMEs.

  - Government of India must introduce more ‘SEZ’ (Special Economic Zone) model for the rapid and continuous development of innovative SMEs.
• Since the SMEs in India have to comply with formalities of nearly 85 agencies of the government. Legal formalities in relation to SMEs should be streamlined and made smooth and less time-consuming.

• Government exhibition should provide scope for SMEs at relatively low charges.

• Publicity of government schemes and action plans should be made regularly through nationwide media sources, preferably TV media. A separate channel or special and suitable time slot of a TV channel be made available to publicize and communicate government programs useful for innovative growth of SMEs.

• ‘Difficulty of receivables’ from corporate units is a deep rooted problem of the SMEs since past half a century. Even ‘global going’ Indian Multinationals do not make payments to the SMEs (vendors, suppliers, etc.) on regular basis and within given time span. More stringent punitive legal action should be taken by the government against defaulting corporate organizations.

II. Suggestion to DIC officials

• Provision of 15 per cent price preference in purchasing SMEs products by the large corporate organizations is not implemented honestly in most part of the country. Concerned department and DIC should take prompt action in this respect and this policy should become part of government’s pro-innovation policy initiative.

• Implementation of an SME development strategy needs the participation and collaboration of numerous stakeholders. Therefore, DIC officials should encourage University and college as the SMEs promotion centers. University and college laboratories should be made more suitable to SMEs, R&D-wise and time schedule-wise. Universities and a
few leading colleges should create special departments to look after ‘regular linkages’ with SMEs for not only research and development but for the supply of committed and trained ‘youth’ for SME activities. Field research and Entrepreneurship Development Programme (EDP) should be the regular activities in university / college campuses. University authority and college authority must be made accountable for the expected appropriate results in terms of R&D, EDP and field research. Moreover Government policy lessons / implementation should be confirmed by more detailed country level investigations and ‘case studies’.

- From this study it has been observed that DIC center in Thoothukudi lack the provision of reliable and updated data base on the performances of SMEs in Tamilnadu and India as a whole. The database of DIC has to be updated on time as the information on area / block-wise performance is a matter of critical concern as it inhibits monitoring of development initiatives and formulation of appropriate schemes to meet the differential needs of the heterogeneous profile of the beneficiaries.

- Furthermore, DIC officials must realise the fact that at a macro level there is need for a strategy for a horizontal geographical spread of the various outreach programmes for balanced growth. On the other hand, there is also a need to emphasize the inclusive nature of any strategy to target entrepreneurs and other weaker sections of the society. It is only by such horizontal and vertical inclusiveness that DIC can attain the objectives of this mission with equity. The potential strategies would mainly rest on five pillars, as it were, concurrently listed in the order of priority:

1. Skill development of entrepreneurs through proper training,
2. Providing Timely Markets Assistance,
There are individual analyses and proposed actions which are listed below including new knowledge-driven initiatives and actions which can leverage our strength and lower the susceptibility of the SME to external threats. Each of these priority areas is equally important for the SME sector and therefore, strategic initiatives for each area have been given equal weightage. All the above five areas are suitably acceptable (as they are demand driven) as well as easy to implement to strengthening of District.

- The District Industries Centers (DICs) should be strengthened with provision of modern IT-enabled communication facilities and re-training of human resources available with these institutions. As the DICs form the bedrock of SME promotion, they should be urgently strengthened, revitalized and transformed to play a more active role in advocacy and capacity building for potential and existing entrepreneurs. Wherever viable, active involvement of the private sector for revamping the DIC network should be considered. Such re-engineering of the DICs may be supported by the Central Government.

- DICs with provision of modern IT-enabled communication facilities, across the country should improve the delivery of services at the field level. The following “Twelve Strategy Challenges” have been identified by the Planning Commission for preparation of the XII Five Year Plan:
  i. Enhancing the Capacity for Growth
  ii. Enhancing Skills and Faster Generation of Employment
  iii. Managing the Environment
  iv. Markets for Efficiency and Inclusion
  v. Decentralization, Empowerment and Information
vi. Technology and Innovation  
vii. Securing the Energy Future for India  
viii. Accelerated Development of Transport Infrastructure  
ix. Rural Transformation and Sustained Growth of Agriculture  
x. Managing Urbanization  
xi. Improved Access to Quality Education  
xii. Better Preventive and Curative Health Care

More support is needed for SMEs from the government in the form of priority sector lending, government procurement programme, credit and performance ratings and marketing support. Technology transfers (such as green technology) and networking can revive the growth of SMEs.

- DIC must realise the fact that although competitiveness is a firm-level phenomenon, macroeconomic and microeconomic environments influence market signals. To enhance SME competitiveness, therefore, it requires the creation of legal, regulatory and administrative environments, access to finance and capable institutional structures, and most importantly human capital and a sustainable environment.

III. Suggestion for SMEs

From the elaborate study it has inferred that SMEs lag behind larger firms in performance because of macro-micro constraints. The micro factors are (i) bureaucratic red tape that inhibits business startups and operations, and (ii) access to finance. The firm specific constraints are (i) weak management, (ii) low skilled workforce, (iii) outdated technology and (iv) poor market information. The result is that many SMEs remain small and experience high rate of business failures beside low productivity and little successful exporting. Therefore it is suggested to the SMEs’ in Thoothukudi area in particular and Tamilnadu in general, that,

- SMEs need to understand the realities. Competition has been heightened and there is consistent and continuous need to become efficient, quality
focused and innovative. Further, law or policy of a State can help or protect only up to a limit and beyond that they (SMEs) have to navigate themselves. SMEs should not forget that they have distinct advantage over large firms in terms of flexibility, cost effectiveness and replicable approach by locally available resources.

- There is need for a mindset change to consider developing products for the bottom of the pyramid. The need is to drive an innovative and inventive mindset. Entrepreneurial skills serve as the key to excel. An entrepreneur needs to have traits of being a firm believer, opportunist and keep alternate vision. The challenges are varied and many but essentially are must keep on trying.

- SMEs’ should not crave for protection and in fact there is need to think big in order to take advantage of policy of liberalization. The key advantages that place India on the global landscape include mammoth size of domestic market, knowledge society, young population, promotional investment policies, constitutionally guaranteed legal infrastructure and strategy to pursue regional integration and free trade agreements and SMEs need to make use of the advantages.

### 6.5 Scope for Further Research

This study is a limited endeavor in understanding Role of SMEs and contribution of DIC in its promotion. There is in fact definite scope to carry out a bigger sample study of Role of DIC in promotion of SMEs in Tamilnadu and India as whole.

SMEs’ in Asia and in India are living in fear of failure due to economic slowdown, inflation and global economic crisis. Unlike large companies, their margin of error is razor thin when the business environment turns for the worse. SMEs everywhere are acutely aware that survival depends on getting right a few fundamental aspects of their operations. In this situation it is
feasible to conduct a comparative study on the performances of SMEs in India and other Asian Regions:

- On the bases of institution supports provided for SME’s promotion and development.
- Nature of finance and marketing assistance provided for SME’s promotion and development.
- Nature of operational issues faced by SMEs in India and other Asian nations
6.4 Conclusion

SMEs in India are considered as growth Engine of Economy. It is the second largest employer and significant contribution to Exports and GDP of the nation. The Government is committed to promote the growth of SMEs and to enhance their competitiveness. Local small-and-medium enterprises (SMEs) are essential because they can help alleviate poverty by increasing income levels and creating jobs. SMEs are expected to be labour-intensive compared to the big businesses. Governments in developing nations should thus promote the growth of SMEs in order to avoid monopolistic and oligopolistic markets with the right kind of policies and regulatory frameworks.

From the current study it has been observed that the limited availability of technological, human, financial, and management resources on the one hand, and the weaker capability and bargaining power of SMEs on the other hand, are amongst the most crucial barriers that must be overcome when it comes to dealing with actors in their external environment, including suppliers, clients, the labour market, development agencies, and fund providers. As a corollary to this scenario, specific initiatives and policies to support small firms were increasingly seen to be implemented in the last decade of the twentieth century. In India, the Ministry of Industry and the Department of Science and Technology (DST), along with other agencies, introduced specific programmes for SMEs and cluster development in the recent past, which are directed towards networking their needs and demands with knowledge institutions.

The author concludes the study by stating that the SMEs development strategy should be coordinated and monitored at the central level through a lean, but high level institution and progress should be reviewed jointly by public and private sector. SMEs need business services to improve their competitiveness (i.e. information, consulting, training, accounting, legal, advertising and marketing, courier services, technical and technology services, including testing for standards and certification requirements abroad, product upgrading, etc.).

The overall analysis of data and study clearly shows that there is a marginal growth and development of SME sector in the study area.