CHAPTER – I

INTRODUCTION
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“Industry is a better horse to ride than genius” – Walter Lippmann

The onset of industry was perhaps the biggest defining moment in human history, with almost every aspect of life being influenced by zooming industrialization. The rise of industries has not only exerted a humongous influence on population growth and income, but has also heightened world economy. The industry has surfaced as a boon for the economic world, manufacturing of raw materials and goods, providing employment, solidifying economic infrastructure and creating groundbreaking advances in matters of science and engineering.

Worldwide Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and effervescent sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at relatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

MSME in India with innovative ideas often work in isolation. Cooperation with research and technology institutions or with academic establishments is virtually non-existent. Support for MSMEs in key areas such as technology transfer, resource efficiency and sustainability management has been either poor or inadequate. Although the Indian Government has launched a number of initiatives aimed at strengthening MSMEs, the initiatives of the government have not yet led to a significant improvement of the framework conditions. Cooperation between industry, the academic community, research centers, quality upgrade centers and government bodies remains weak, thus hampering the innovative capacity and sustainability of MSMEs. The climate is not conducive to cooperation, with supporting institutions lacking effective methods, support program and the incentive structures needed to boost cooperation.

Ministry of Micro, Small & Medium Enterprises envisions a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries / Departments,
State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises.

This Sector consists of 26.1 million units, as of today, provides employment to over 59.7 million persons. The Sector through more than 8,000 products contributes about 8 percent to GDP besides 45 percent to the total manufacturing output and 40 percent to the exports from the country (Source: www.makeinindia.com). The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

MSMEs also play a significant role in National development through high contribution to domestic production, significant export earnings, low investment requirements, operational flexibility, location wise mobility, low intensive imports, capacities to develop appropriate indigenous technology, import substitution, contribution towards defence production, technology oriented industries, competitiveness in domestic and export markets thereby generating new entrepreneurs by providing knowledge and training. The Ministry of India proposes more policies and facilitates useful programs, projects and schemes and monitors their implementation with an observation to assisting MSMEs and helps them to scale up.

The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. The role of the Ministry of MSME and its organizations is to assist the states in their efforts to encourage entrepreneurship, employment and livelihood opportunities. Sustainable economic development is at the top of the political agenda in India. By this year, the aim is for growth to be ‘faster, sustainable and more inclusive’. Every year, around 12 to 13 million young people enter the labour market. In order to absorb this influx of job seekers, between 120 and 130 million new jobs need to be created by 2025 (Source: www.giz.de/en/worldwide). The private sector, particularly micro, small and medium-sized enterprises (MSMEs), is expected to be a key driver here.

Industrialisation is an effective means for solving the problems of economic and social progress in developing countries of the world. The manufacturing industry represents, in a sense, a higher stage of production in advanced countries. The development of manufacturing has been concomitant with these country’s spectacular economic progress and rise in levels of living. Entrepreneurship is indispensable to accelerate the industrial growth. Micro, Small and Medium enterprises are an
effective means for the development of entrepreneurship. This sector is the only solution to the problems of poverty, insecurity, unemployment, over population in the modern world.

The micro and small industry sector has done quite well and has enabled the country to achieve considerable industrial growth and diversification. Micro scale industries are less capital intensive and suit the Indian economic environment with scarce resources and large population base. In addition, it is highly and has a scope for labour intensive for building upon the traditional skill and knowledge.

The researcher, focus on the various challenges faced by MSME especially manufacturing sector in the field of purchase of raw material, mobilizing fund, searching skilled labor, import of technology, export of product and utilization of MSME schemes. The researcher has framed more important objectives to prove the entrepreneur’s challenges and problems faced by them. Hence, the present study has been undertaken to examine the above challenges of the entrepreneurs and suggest the recommendations towards the development of MSME enterprises in the Coimbatore District.

1.1 STATEMENT OF THE PROBLEM

MSME sector provides more support to the large enterprises. Manufacturing sectors are very important for economic growth and higher standard of living. MSME largely encompass first generation entrepreneurs, who have a limited structured training on resource planning, marketing, financial management, labour management and export and import of technology. These industries are not in a position to secure the internal and external economies of scale. Most of the enterprises do not have their own marketing network. They find it difficult to sell their output at remunerative prices due to higher cost of production and non-standardized quality of products. They cannot afford to spend much on advertising, sales promotion and marketing research. They also face stiff competition from large firms. There can be many more similar issues hindering the orderly growth of the MSME sector. Hence, an attempt has been made to study the challenges of Micro, Small and Medium Enterprises Entrepreneurs in the manufacturing sector in Coimbatore District.
1.2 OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. To know about the demographic profile and industrial profile of the Micro, Small and Medium Enterprises.
2. To observe the challenges faced by entrepreneurs of manufacturing sector in different segments of Micro, Small and Medium Enterprises.
3. To study the entrepreneurs problems in the manufacturing sector of Micro, Small and Medium Enterprises.
4. To measure the influencing factors towards the challenges of entrepreneurs in manufacturing sector in Micro, Small and Medium Enterprises.
5. To present the findings and offer suitable suggestions to improve the manufacturing sector of Micro, Small and Medium Enterprises.

1.3 HYPOTHESES

Based on the above issues the following null hypotheses (Ho) were formulated:

(i) There is no association between the variables of challenges of entrepreneurs and demographic variables.
(ii) There is no association between the variables of challenges of entrepreneurs and the industry related variables.
(iii) There is no significant difference in influencing factors towards the challenges of entrepreneurs and the demographic variables.
(iv) There is no significant difference in influencing factors towards the challenges of entrepreneurs and industry related variables.

1.4 RESEARCH METHODOLOGY

1.4.1 RESEARCH DESIGN

The researcher has used the explorative research to identify and to know the fact on the research problem.

1.4.2 SAMPLE DESIGN

The sample design refers to the technique or the procedure of the research would adopt in selecting sample size for the sample from the total population. The probability sampling technique has been adopted for the present study.

1.4.3 SAMPLE SIZE AND SAMPLING TECHNIQUE

The researcher has adopted Stratified Random Sampling Method for the purpose of selection of samples. In Coimbatore 63000 and above MSMEs and 2000 and above large scale industries are running. This Coimbatore region amounts for
Exports worth Rs. 45,000 Crores for wide spectrum of Industry segment ranging from Pumps, Motors, Machine Tools, Automotive Components, Textile Machineries, General Engineering, Metallurgy, Foundry, Valves, Injection Moldings, Industrial Plastics, Gears, Knitwear & Textiles, Gems & Jewelry, Poultry & Agriculture, etc. This region has 4 Software Parks and 91 Mid-Size IT companies. India's 84 percent of Textile Machineries and 52 percent of Pumps are manufactured by the industrial and domestic companies in Coimbatore. It has highest number of Spinning Mills in the world. As on March 2013 there are 3446 Micro enterprises, 1035 Small enterprises and 91 medium enterprises are registered in Coimbatore District Industries Centre.

Majority of the manufacturing industries are registered under the category of Textiles and Garments, Engineering, fabrication, jewelry making and Exports. The researcher has taken 456 samples out of these for the present study. The present study has been attempted to analyze the challenges of entrepreneurs in MSME manufacturing sector.

1.4.4 PILOT STUDY

A pilot study has conducted on 25 respondents to define the collection of field data.

1.4.5 SOURCE OF DATA

Both primary and secondary data have been used for the study.

A structured interview schedule has designed for the Micro, Small and Medium Enterprises manufacturers to express their opinion. Secondary data is obtained from the websites, published books, reports / articles of DIC, MSME and CODISSIA.

1.4.6 PERIOD OF THE STUDY

The study covered the period of three years starting from September 2013 to August 2016.

1.4.7 STATISTICAL TOOLS

To analyze the collected primary data, various statistical tools were applied. The application of these tools and techniques were identified on the basis of the objectives framed for the study. The following tools were applied:

- Percentage Calculation
- Chi-square analysis
- Analysis of variance (ANOVA)
- Correlation analysis
- Multiple Regression analysis
- Garrett Rank Technique
- Factor analysis and Cluster analysis.

1.5 **SCOPE OF THE STUDY**

In India, Micro, Small and Medium enterprises have proceeded from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, microwave components, electro medical equipment’s, etc. The process of economic liberalization and market reforms has further exposed these enterprises to increasing levels of domestic and global competition. The MSME sector is highly heterogeneous in terms of the size of the enterprises, variety of products, services provided and the levels of technology employed. MSME sector is characterized by low investment requirement, operational flexibility and location wise mobility. The MSMEs sector has long facetted extreme obstacles in accessing finance and markets.

Some of these obstacles include inability to access finance and working capital loans from banks, inability to access capital from other sources, mistreatment by large procurement customers, difficult bureaucratic procedures for registration, lack of management skill and research and development skills. The increasing availability of cheap foreign imports has further hindered the development of Indian micro, small and medium enterprises. These obstacles have compelled the MSMEs lobbies for government intervention. The scope of the study has been confined only to the manufacturing sector of MSME in the field of procurement of raw material; access to finance, finding skilled labor and marketing the products without middleman. Each field is necessary for the development of MSME.

1.6 **LIMITATIONS OF THE STUDY**

- The present study has been confined to only Coimbatore District which may not be applicable for other Districts or other places.
- The study attempts to analyze the challenges faced by MSME related to manufacturing sector only.
- Due to time constraints the respondents were restricted to 456 samples, therefore the result of the study is only suitable to the similar type of manufacturing sector.
1.7 CHAPTER SCHEME

The present study is organized into five chapters and they are given below:

Chapter I deals with Introduction of the study, statement of the problem, objectives of the study, hypotheses, research methodology, scope of the study, limitations of the study and chapter scheme.

Chapter II encompasses the review of various research works undertaken in the field relating to the present study.

Chapter III covers the overviews the Micro, Small and Medium enterprises, MSME Marketing Assistance Scheme, Manufacturing sector in India and problems and challenges faced by MSME.

Chapter IV deals with Analysis and Interpretation of data.

Chapter V portrays the findings, suggestions, conclusion and future extension of the study.