

MSME AND SELF RELIANT INDIA - AN EMPIRICAL ANALYSIS

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ABSTRACT

MSME also contributes greatly towards the exports and the trade has spread over each corner of the nation. The MSME in the present scenario stressed much on compliance and disclosure burden. Transparency and accountability plays a critical role in the modern MSME trade system. The current study deals with the identification of the factors which support the entrepreneur to make the automotive sector, employment creation through MSME, and factors leading towards the growth of the automotive industries. The study on employment and factors affecting it were not addressed in much research. A structured questionnaire was developed to study the various factors which are responsible for the growth of automotive sector investment in India. Primary and secondary data sources were used for the study. Different news reports about MSME automotive sector investment and its prospective development were analysed. The respondents perception is also one of the important sources of analysis. statistical tests were conducted for the study like Reg analysis, Anova test, Logistic Reg, Multiple response analysis. Time is a constraint which restricts the scope of the study. Nearly explains 73.6% of variability observed in DV which is explained by the Reg. model and influences on Advance automotive technology investment. Automotive sector will also attract employment opportunities. To study the same, Reg. analysis was conducted by taking Employment as the DV. Respondents having different educational backgrounds perceive differently with respect to PLI and its influence on Advance automotive technology investment. It is found that gender alone cannot influence the investment decision in the automotive sector in spite of amended bio fuel policy. The research concluded with adequate care to be taken to address the issue of the MSME.

Keywords: MSME. PLI, employment, automotive sector, entrepreneur etc.

Theoretical Background Of The Topic

The MSME sector plays a very crucial and prominent role in the Indian economy, it is being proven from the rate of contribution of the GDP and the rate of employment generated. India estimated nearly 6cr of the total MSME business of manufacturing and other sector services. The employment rate is high, employing over 11cr of the population. The one of the highest challenges the sector is facing is the availability of the sufficient capital requirement and only few can invest in the primary stage of ventures. The capital assistance is challenging since the legal regulations prevent the assistance of external investment of equity. Smaller size of investment may not be that useful and in turn increases the cost of transaction and management as well. Low investment is always less attractive. Gathering of information between the stakeholders like investors, promoters, and other internal and external stakeholders. The investors are always keen on control and other managerial elements. The venture capital deals with the technology driven stipulations and offers the fundamental funding up to certain limits. This has proved in many industries as the primary challenge where the MSME were not grown over a period of time. Most of the MSME were listed in the exchanges, this provided more exposure and demand for the products. Listing in exchanges helps to grow faster and this supports the long term operations of MSME. MSME provided the fund under the name of the self-reliant India. This addresses the challenge of corporatisation and offers an opportunity to grow with full potential. This scheme channels the diversified variety of funds available to serve the MSME sector to grow.

Statement Of The Problem

The present research deals with the problems of MSME. There is a requirement of addressing certain issues like finance, skill set of the employee, marketing and managerial related concepts and operations, technology updating, sound labour support. The research cannot undertake all challenges at once. The current study deals with the identification of the factors which support the entrepreneur to make the automotive sector, employment creation through MSME, and factors leading towards the growth of the automotive industries.

Review Of Literature

The author Sudan in 2005 has described the major challenges in MSME towards its development. The author studied and analysed the policy issues which rose through the various questions related towards the operation of MSME. Rathod (2007) studied the progress and various types of the SSI industry and analysed the reasons of success and failures and then evaluated their impact on the globalization of small-scale industries export opportunity in India and the barriers and constraints faced by the SSI in terms of globalization. Singh, Venna and Anjum in 2012 analysed the overall performance of the MSME in India and their changing focus along with policy up gradation, this opening many new opportunities for the MSME sectors and the research concluded that the MSME sectors made a very good progress in terms of the number of MSME units, its production and the rate of employment. Srinivas during 2013 analysed the performance of MSME and their contribution towards the nation's economic growth. The research concentrated on the study of the number of enterprises, their employment generation and concluded the research based on the major role played towards the inclusive growth of the economy. Abdul Naser in 2013 evaluated the challenging and critical contributions made by the MSMEs to the balance's growth of the economy. In 2014 Chandana Goswami found the credit preference of micro and small enterprises in the state of Assam and dealt with the issues faced. In 2016, Charan and Wasdani, identified the challenges come across by the MSME in identifying the sources of finance towards the various stages of their business life cycle. Shalunkhe during 2016 analysed the impact and the effect of the PEMGP. The area covered is the rural area of Kolhapur district in India and also evaluated the performance of the programme. B P Bohra in their study in 2017 addressed the financing patterns of small business and the regular traders in the Guwahati city. Siddiqui in the year 2018, studied the early growth of MSMEs, and they need the timely and sufficient capital and their sources of finance to be economical. MSMEs should work on the problems which need adequate time to resolve and timely credit, and knowledge should upgrade from limited to unlimited, arrangements of the collateral as security requirement, arranging for the sufficient working capital, recovery from the debtors and getting financial assistance from the financial institution etc. The recent literature reviews focused on the various topics like the competitiveness and their open innovation said by Tprchia and Caabro in 2019, Zahoor and Tabbaa in 2020 continued with same research adding more focus on the collaboration, performance management studied by Rojas-Lema et al in 2020, Barbosa et al., 2020 studied the sustainable management avenue in comparison with the other factors. During 2020 carvalho, cruz et al and quandt and Castiho in 2017 studied the innovative concepts of the related companies innovative capabilities and which comprises the innovation inputs, activities/ capabilities and other outputs, where the innovation output can be measured.

Research Gap

The broad literature review covers both the innovation and management in MSME which is considered as the research gap, from the various studies it is identified that the study on employment and factors affecting were

not addressed in much research. The technological innovations improve the performance and research is needed to study from various perspectives to fill the research gap. Here an attempt has been made to study the factors supporting the factors towards the automation, impact of MSME on employment creation and identifying the various factors contributing the growth towards the automation.

Scope Of The Study

The MSME was spread throughout the nation. The fund invested assures GDP development and is marked as potential for enhancing the rate of development of a country. Due to a challenge of capital accumulation MSME continues to be a growing sector since the borrowing cost increases due to the high rate of interest and high leverage in investment avenues. MSME necessarily need to maintain the CAGR for 3 years and need to assure the profit, along with satisfying the MSMED act regulation towards the consideration for eligibility. The financial assistance will actively motivate all the small and medium investors to decide for venture capital funding. This process will act as a factor towards the non-monetary area, employment creation, reducing the rate of regional disparity and overall economic development supporting the establishment of supply chains with the depth and the resilience. The MSME focuses on the strategies to be adopted and keeps upgrading to lead the competition in the market and sustaining in the market for a long duration.

Objective Of The Study

1. To identify the factors which motivate entrepreneurs to take up automotive sector investment
2. To study the impact of MSME on employment creation
3. To identify the various factors which affect the growth of automotive industries

Hypothesis

H₀₁: PLI will not influence entrepreneurs to invest in automotive value chain

H₀₂: There is no difference in the perception of respondents with respect to PLI influencing manufacturing of AAT across their different educational backgrounds.

H₀₃: The growth in the automotive sector has a higher influence on employment creation.

H₀₄: Gender has no role to play on respondents' perception as to whether the amendment of biofuel policy will further challenge on automobile industry

Research Design

The structure of the entire research is enlisted below.

Research Methodology

Primary research was conducted to study the perception of the entrepreneurial people about MSME in the automotive sector and its growth prospects. A well structured questionnaire was developed to study the various factors which are responsible for the growth of automotive sector investment in India.

Sources Of Data

Primary and secondary data sources were used for the study. Different news reports about MSME automotive sector investment and its prospective development were analysed. The respondents' perception is also one of the important sources of analysis.

Sampling Plan

The respondents are from different educational backgrounds occupying different positions in the organization. A total of 174 respondents were interviewed. Only the entrepreneurial perceptions were collected. Out of the sample population 98 were female respondents and 76 were male respondents. These respondents are from different educational backgrounds.

Data Collection Instruments

Well-structured questionnaires with different parameters were developed. Those parameters were addressing the possible issues with respect to implications of the investment in the automotive sector. Multiple response parameters were also developed to know those factors which affect the growth of automotive sector investment.

Data processing and analysis plan

The perception of the respondents was analysed using different statistical tests. Hypothesis was developed to proceed with the analysis. The following statistical tests were conducted for the study.

- Reg. analysis
- ANOVA test
- Logistic Reg.
- Multiple response analysis

Limitations Of The Study

Multiple parameters were developed to study the implications of the investment in the automotive sector. This is a dynamic industry. Though the researcher tried to include every factor which affects the investment in this sector, few factors might not have been included. Secondly only 174 respondents were interviewed. Time is another constraint which restricts the scope of the study. But the researcher has tried to reflect the implications of the investment in relevance with the prevailing situation in India.

Data Analysis

Multiple hypotheses were developed to analyse the responses collected for the study. the following paragraphs and table will explain the same.

H₀₁: PLI will not influence entrepreneurs to invest in automotive value chain

Hypothesis was developed to study whether incentives provided by the government will boost investment in the automotive sector. Reg. analysis was conducted for the same.

Model Summary^b

Model	R	R Square	Adjusted R sq.	Std. Error of the Estimate
1	.858 ^a	.736	.735	.335

Table 1 Reg. analysis

a. IV: (Constant), production-linked incentives (PLI) woneill it attracts new investment

b. DV: The extent to which you as entrepreneur will invest in automotive manufacturing value chain

R² is a goodness of fit measure for linear Reg. models. Here R² is 0.736. That means, it explains 73.6% of variability observed in DV which is explained by the Reg. model. Hence it can be concluded that PLI will

influence the investment in this sector. To study the extent of influence of IV on IV, ANOVA test was conducted.

ANOVA^a

Model		Sum-of-squares	D-F	Mean-Squares	F	Sig.
1	Reg.	53.760	1	53.760	479.755	.000^b
	Res.	19.274	172	.112		
	Total	73.034	173			

Table 2 One-way-ANOVA

a. DV: The extent to which you as entrepreneur will invest in automotive manufacturing value chain

b. IV: (Constant), production-linked incentives (PLI) will it attract new investment

With the above table, it is evident that the significant value is less than 0.05, which is sufficient for the researcher to reject the null hypothesis and say that there is a significant influence of the predictor on the IV. H₀₂: There is no difference in the perception of respondents with respect to PLI influencing manufacturing of AAT across their different educational backgrounds.

Respondents having different educational backgrounds perceive differently with respect to PLI and its influence on Advance automotive technology investment. To analyse the same Anova test was conducted.

Will PLI boost domestic manufacturing of Advanced Automotive Technology (AAT)

	Sum-of-squares	D-F	Mean-Squares	F	Sig.
Between Groups	2.341	4	.585	1.727	.146
Within Groups	57.274	169	.339		
Total	59.615	173			

Table 3 ANOVA

The significance value is greater than 0.05. Hence we failed to reject the null hypothesis and conclude that there is no difference in the perception of respondents with respect to PLI influencing manufacturing of AAT across their different educational backgrounds.

H₀₃: The growth in the automotive sector has no influence on employment creation.

There are multiple factors in the economy which influence employment creation. Investment in the Automotive sector will also attract employment opportunities. To study the same, Reg. analysis was conducted by taking Employment as the DV.

Model Summary^b

Model	R	R Square	Adjusted R sq.	Std. Error of the Estimate
1	.800^a	.639	.637	.481

Table 4 Reg. Analysis

a. IV: (Constant), Currently there is growth in revenue of automotive industry

b. DV: Growth in automobile sector will increase employment opportunity and boosts standard of living

The R² is explaining 63.9% of variability in the DV for a change in IV. That means there is a high level of influence. The next table will explain the extent of influence.

ANOVA^a

Model		Sum-of-squares	D-F	Mean-Squares	F	Sig.
1	Reg.	70.620	1	70.620	304.883	.000^b
	Res.	39.840	172	.232		
	Total	110.460	173			

Table 5 ANOVA

- a. DV: Growth in automobile sector will increase employment opportunity and boosts standard of living
b. IV: (Constant), Currently there is growth in revenue of automotive industry

The significant value is less than 0.05, because of which the null hypothesis was rejected and declared that the growth in the automotive sector has a higher influence on employment creation.

H₀₄: Gender has no role to play on respondents' perception as to whether the amendment of biofuel policy will further challenge on automobile industry

Biofuel policy is being amended. The Ministry of Petroleum and Natural Gas (MoPNG) on June 15, 2022 has issued National Policy on Biofuels-2018 Amendment, 2022(India environmental.org). Hence to know whether the gender wise perception of the respondents differs, logistic Reg. was conducted on the above said variable.

		B	S.E.	Wald	D-F	Sig.	Exp(B)
Step 1 ^a	Gender(1)	.359	.337	1.135	1	.287	1.431
	Constant	.713	.244	8.527	1	.003	2.040

Table 6 Variables in the Equation

- a. Variable(s) entered on step 1: Gender.
b- The coefficient of X is explaining that the gender of respondents will influence to the extent of 35.9%. A significant value is greater than 0.05. Hence it can be said that gender alone cannot influence the investment decision in the automotive sector in spite of amended biofuel policy.

Multiple Response Analysis

Many factors contribute towards investment in the automotive sector. There would be many factors which affect the investment. MRA was conducted to know the different factors which affect the same.

		Responses		
		N	Percent	Percent of Cases
\$Factors_Affecting_Automotive_Industry ^a	Financial issues	134	11.1%	87.0%
	Regulatory issues	94	7.8%	61.0%
	Infrastructure	104	8.6%	67.5%
	Lack of standardized policies	94	7.8%	61.0%
	Low productivity	124	10.2%	80.5%
	Lack of innovation	138	11.4%	89.6%
	Technical changes	138	11.4%	89.6%
	Competition	124	10.2%	80.5%
	Skills	136	11.2%	88.3%
	Lack of professionalism	124	10.2%	80.5%
Total		1210	100.0%	785.7%

Table 7 Factors Affecting Automotive Industry Frequencies

- a. Dichotomy group tabulated at value 1.
Majority of the respondents have opined that Lack of innovation (89.6%) and technical changes (89.6%) will be major factors responsible for growth of the automotive sector. Next to it the skill (88.3%) of the entrepreneur

and financial issues (87%) also are major while deciding the investment on the same. The other factors are competition (80.5%), infrastructure (67.5%), lower productivity (80.5%) also affect the investment.

Findings

The study was conducted to identify the factors which support the growth of automotive sector investment. Various parameters were developed to study the factors which affect the growth of the sector. Through statistical tests these parameters were processed and a conclusion was drawn. Hypotheses were developed and using SPSS software, the inferences were drawn. Various Production linked incentives (PLI) are offered by the government which support investment in the MSME automotive sector. In order to know whether this in the real sense boosts investment from the entrepreneurial perspective, hypothesis was drawn and regression analysis was conducted. PLI being the predictor, and investment being the DV, it was identified with the help of R^2 and ANOVA value it could be interpreted that there is a high level of significant impact of the predictor on the dependent. That means this PLI will attract investment into this sector.

Respondents from different educational backgrounds may perceive things differently. Hence hypothesis was drawn to know whether education background has any influence on their perception about PLI influencing the manufacture of AAT (Advanced Automated Technology). ANOVA test was conducted to know whether there is any difference in the perception of the respondents. With the significant value greater than 0.05, we failed to reject the null hypothesis and concluded that education has no influence on the above said variable.

Multiple factors contribute towards employment creation in an economy. Automotive sector also contributes towards the creation of employment opportunities. Entrepreneurial perception was sought on this variable. To analyse the perception regression technique was used taking the growth in automotive sector as IV and employment opportunity as DV. With the R squared value and significant value, it was concluded that growth of the automotive sector will influence the employment creation in a significant way. Many parameters were developed for identifying the right factor which contributes to the growth of the automotive industry. Those factors which will significantly influence or affect the development of this sector were enlisted and respondents were asked to select more than one option also, Multiple Response Analysis was conducted for the same.

Conclusion

On the basis of Percentage analysis few factors were identified as important. Innovation and Technical change are ranked as important for growth. Proper skills and financial issues were identified as next important issues responsible for growth. Competition and issues affecting productivity will also impact the growth of the automotive sector.

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