

CHAPTER – I

INTRODUCTION

Micro, Small and Medium Enterprises, commonly known as MSMEs, occupy an important position in the economic development of a country. They are considered as the backbone of the Indian economy because they contribute significantly to employment generation, production, income creation, exports, and balanced regional development. MSMEs require comparatively less capital investment and provide opportunities for a large number of people to engage in productive economic activities. In a developing country like India, where unemployment and regional imbalance are major issues, MSMEs play a vital role in promoting inclusive and sustainable growth.

The MSME sector is important because it supports both industrial and social development. It encourages entrepreneurship among different sections of society, including youth, women, rural people, and economically weaker groups. MSMEs help individuals to start business activities with limited resources and gradually expand their operations. These enterprises also support innovation, local skill development, and self-employment. By creating business opportunities at the local level, MSMEs reduce dependency on large industries and government employment.

In India, MSMEs are spread across manufacturing, trading, and service sectors. They produce a wide variety of goods and services required by consumers, large industries, and export markets. MSMEs also help in the effective utilisation of local resources such as raw materials, labour, traditional skills, and regional specialities. Their contribution is not limited to production alone; they also support supply chains, distribution networks, rural industrialisation, and the growth of local markets. Therefore, the development of MSMEs is closely connected with the overall economic progress of the nation.

Kollam district has a strong industrial and commercial background, especially in traditional and small-scale sectors. The district is known for activities such as cashew processing, coir, handloom, marine products, food processing, small manufacturing units, trade, and service enterprises. These sectors provide employment and income to many people in the district. MSMEs in Kollam make use of local resources and traditional skills, thereby contributing to the economic development of the region. They also help in improving the standard of

living of workers, entrepreneurs, and their families.

The present study titled “A Study on the Role and Contribution of MSMEs to Economic Development with Reference to Kollam District” is undertaken to analyse the importance of MSMEs in the economic development of the district. The study focuses on the contribution of MSMEs towards employment generation, entrepreneurship development, income creation, utilisation of local resources, and regional growth. It also attempts to identify the major problems faced by MSMEs in Kollam district and suggest suitable measures for their improvement. Thus, the study is relevant for understanding the role of MSMEs as an important instrument of local economic development.

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SCOPE OF THE STUDY

The scope of the study is limited to analysing the role and contribution of MSMEs to economic development with special reference to Kollam district. The study covers MSMEs engaged in manufacturing, trading, and service activities and focuses on their contribution towards employment generation, entrepreneurship development, income creation, and utilisation of local resources. It also examines the major problems faced by MSMEs in Kollam district and suggests suitable measures for their improvement.

OBJECTIVES OF THE STUDY

- To study the role of MSMEs in the economic development of Kollam district.
- To analyse the contribution of MSMEs towards employment generation and income creation.
- To identify the major problems faced by MSMEs in Kollam district.
- To offer suitable suggestions for improving the growth and performance of MSMEs.

LIMITATIONS OF THE STUDY

- The study is limited to MSMEs operating in Kollam district only.
- The sample size is limited to 100 respondents, so the findings may not represent all MSMEs in the district.

- The study is based mainly on the opinions and responses of MSME owners and entrepreneurs.
- Some respondents may not have provided complete and accurate information due to lack of time or hesitation.

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