

# “A Study on Business Confidence of Paper and Paper Product Manufacturing Industry- Empirical Evidence”

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**Abstract:** Indian manufacturing output growth was slowest in the last fifteen months in August 2019. The recent drop observed in the Index of Industrial Production and Rupee depreciation has added worries to continued weakening Indian economy. Recent policy changes and rising costs for Paper Products Manufacturing Industry have opened up challenges. Awareness resulting in ban on one time plastic use materials in India has opened up new market for the industry. Here an attempt is made to understand whether the capacity utilization is high and what is the level of business confidence among the paper product manufacturing companies located in Hubballi.

**Key words:** Business Confidence, Sales, Market Share, Capacity Utilization, Job Creation.

## I. INTRODUCTION

The business confidence is based on enterprises assessment of production, orders and stocks as well as its current position and expectations for the immediate future. Business Confidence Survey is a survey of local companies designed to gauge business activity, optimism, planning, market share and investment in the companies for better future growth. Business surveys provide essential information for economic monitoring, short term forecasting and economic research. Business confidence surveys are widely used to detect turning points in the economic and business houses.

The business confidence is the study which reveals that, the expectation about the future growth, the view of the entrepreneurs about the future challenge and opportunities in the industry. It helps to understand the level of confidence among the entrepreneurs about the future performance of their company.

This study is conducted to look at the present confidence status of the entrepreneurs particularly Paper and paper product manufacturing industries located in Hubballi. The study reveals that, challenges like increased competition, procurement cost of raw materials etc. may hinder the growth of the Paper and paper product manufacturing companies.

## II. LITERATURE REVIEW

FICCI Economic outlook survey (May 2019) highlighted that, the median growth forecast for IIP has been put at 4.4% for 2019-20 by the participating economists, with a minimum and maximum range of 3.3% and 5.5% respectively. The latest monthly IIP data has reported a negative growth in industrial production. The index contracted by 0.1% in the month of March 2019 vis-à-vis 5.3% growth witnessed in the same month previous year. The report also point out that, the concerns remains on external front with median current account deficit forecast pegged at 2.1% of GDP for 2019-20. Median export growth is pegged at 4.0% in 2019-20. Imports, on the other hand, are forecasted to grow at 3.8% in the same year.

FICCI's survey on Manufacturing (June 2019) depict a moderation of outlook for the manufacturing sector in Q-1 (April-June 2019-20) as the percentage of respondents reporting higher production in first quarter has fallen vis-à-vis the Q-4 of 2018-19. Overall sentiments in manufacturing remains subdued as the proportion of respondents reporting higher output growth during the April-June 2019 has fallen to 41% as compared to Q-4 of 2018-19 (54%). The percentage of respondents expecting low or same production is 59% in Q-1 2019-20 which was 46% in Q-4 of 2018-19. In terms of order books, 36% of the respondents in April-June 2019 are expecting higher number of orders against 44% in January-March 2019.

The latest round of FICCI's Business Confidence Survey (June 2019) revealed a moderation in the optimism level of members of India Inc for the fifth consecutive quarter. The Overall Business Confidence Index stood at 59.6 in the current round vis-à-vis an index value of 60.3 reported in the last survey. Moderation in assessment regarding the current conditions pulled the overall index value down during the quarter.

### III. OBJECTIVES OF THE STUDY

1. To understand the challenges and opportunity the company may come across in upcoming years.
2. To study about the expectation of sales, demand, market share, profitability and employment in upcoming years.
3. To examine the effect of government policy and currency fluctuation on business of the company.

### IV. NEED FOR THE STUDY

The Indian paper and paper product manufacturing industries are developing and increasing the market share at international level as well as at the national level. The spread of digital media, demand for print media is declining. Indian Government decision to levy an Anti- dumping duty of \$855 is to support Indian manufacturers. Even though the Anti-dumping duty is levied but the Indian Entrepreneurs are stating that there is still no proper demand for the products manufactured by domestic industries. The RBI committee has recommended doubling the collateral free loan to the MSMEs Sector. This will help to grow the MSMEs and provide employment to several people across the India.

CII report (March 2019) states that, there is a Net Jobs Creation growth of 13.9% over the last 4 years. The survey spanning over 105,347 firms primarily in the MSMEs sector, was undertaken in more than 350 industrial centres spread across 28 States. The survey indicates optimism on higher growth expectations on employment for the next three years, which emanates from the fact that the government initiatives like the 2 per cent interest rate subvention given to all MSMEs and Trade Receivable e-Discounting System (TReDS) implemented recently would drive future growth leading to more employment. The survey establishes a growth of CAGR 3.3% per annum.

FICCI quarterly outlook for the paper and paper product sector states that, for Q1 FY2019-20, all the participants expect their production to be more than that of same quarter last year. 67% of the respondents reported same or higher number of orders as compared to the previous quarter. The average capacity utilization of the sector is hovering around 95% with 67% of the respondents operating at higher capacity than that of last year. A similar percentage of respondents plan to expand capacity in next six months. Cost of production as a percentage of sales for their product decreased to 67% in the paper sector and according to respondents it was due to

increased efficiencies and cost reduction efforts in manufacturing. Whereas for rest of the respondents cost of production increased due to increased raw material and manpower cost.

The market leaders are expanding their business to stay in market and to compete with the international industries which focusing to expand their business in Indian market. The study of business confidence helps to predict the future performance of the sector. It is concerned with the overall economic conditions and the implementation Government policies and the effect of those on the growth of company. Hence the attempt is made to understand the level of confidence among the entrepreneurs about the future business opportunities. An effort is made to understand the level of confidence that the entrepreneurs have for upcoming future. The study helps to understand what would be the future of the paper and paperboard manufacturing companies in India.

### V. SCOPE OF THE STUDY

The study is restricted to only 30 paper and paper product manufacturing industry located in Gokul Industrial area, Hubballi. The feedback on business confidence level among the owners of the firms is collected to understand the future prospects of the firm.

### VI. RESEARCH METHODOLOGY

The feedback about the business confidence of the companies in future is collected through a self – administered questionnaire. The response is collected from MSMEs particularly paper and paper manufacturing industries located in Gokul Industrial Estate, Hubballi. The study period was for only two months from July 3<sup>rd</sup> to 3<sup>rd</sup> September 2019. The convenient sampling technique is used to collect data. Total sample size was 10 and sample unit is paper and paper product manufacturing MSMEs located in Hubballi. Total sample size was 81% of total registered paper and paper industries registered with association. Validation of the questionnaire is done with 0.78 cronbach alpha.

Secondary data is collected from various sources like FICCI articles, RBI reports, Care reports, research publications and other websites. The business confidence among the owners is estimated using frequency tables and t tests. The inferences were drawn from the tables.

### VII. DATA ANALYSIS AND INTERPRETATION

**Table 1: The long term perspective about the growth in the economy.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Poor	6	20.0	20.0	20.0
	Fair	18	60.0	60.0	80.0
	Very Good	6	20.0	20.0	100.0
	Total	30	100.0	100.0	

<b>Table 2: Opinion on the present inflation rate</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Higher	6	20.0	20.0	20.0
	Moderate	18	60.0	60.0	80.0
	Lower	6	20.0	20.0	100.0
	Total	30	100.0	100.0	

<b>Table 3: Opportunities in the upcoming years</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Favourable Government Policy	18	60.0	60.0	60.0
	Increase in the demand for the product	12	40.0	40.0	100.0
	Total	30	100.0	100.0	

<b>Table 4: Challenges in the upcoming years</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Difficulty in procurement of raw materials	6	20.0	20.0	20.0
	Increased competition	9	30.0	30.0	50.0
	Non-availability of credit	6	20.0	20.0	70.0
	Lower demand for the product	9	30.0	30.0	100.0
	Total	30	100.0	100.0	

<b>Table 5: Expectation about the future domestic demand for the product in the coming years</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Pessimistic	3	10.0	10.0	10.0
	Pessimistic	3	10.0	10.0	20.0
	Neutral	24	80.0	80.0	100.0
	Total	30	100.0	100.0	

<b>Table 6: Expectation about the increase in the sales for the company in the coming years</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Substantially Increase	3	10.0	10.0	10.0
	Increase	12	40.0	40.0	50.0
	Neutral	6	20.0	20.0	70.0
	Decrease	9	30.0	30.0	100.0
	Total	30	100.0	100.0	

<b>Table 7: Expectation about the increase in the market share of the company in the coming years</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Pessimistic	3	10.0	10.0	10.0
	Pessimistic	6	20.0	20.0	30.0
	Neutral	9	30.0	30.0	60.0
	Optimistic	9	30.0	30.0	90.0
	Highly optimistic	3	10.0	10.0	100.0
	Total	30	100.0	100.0	

<b>Table 8: The expectation on profitability of the company in coming years</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Pessimistic	9	30.0	30.0	30.0
	Neutral	12	40.0	40.0	70.0
	Optimistic	9	30.0	30.0	100.0
	Total	30	100.0	100.0	

<b>Table 9: Factors leads to high cost of production in the upcoming two years</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Procurement cost of wood	12	40.0	40.0	40.0
	Cost of fuel	3	10.0	10.0	50.0
	Cost of importing from Abroad	6	20.0	20.0	70.0
	Other factors	9	30.0	30.0	100.0
	Total	30	100.0	100.0	

<b>Table 10: View on the capacity utilization in the plant</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increase	15	50.0	50.0	50.0
	Neutral	15	50.0	50.0	100.0
	Total	30	100.0	100.0	

<b>Table 11: View on the capacity expansion in future</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Pessimistic	12	40.0	40.0	40.0
	Neutral	3	10.0	10.0	50.0
	Optimistic	15	50.0	50.0	100.0
	Total	30	100.0	100.0	

<b>Table 12: The level of confidence about the future employment generation by company</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increase	3	10.0	10.0	10.0
	Neutral	15	50.0	50.0	60.0
	Decrease	12	40.0	40.0	100.0
	Total	30	100.0	100.0	

<b>Table 13: The impact of RBI Committee recommendation of doubling the collateral free loan for MSMEs Sector</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	3	10.0	10.0	10.0
	Positive	18	60.0	60.0	70.0
	Highly Positive	9	30.0	30.0	100.0
	Total	30	100.0	100.0	

## VIII. FINDINGS

1. Respondents have positive view on economic growth in future. (table 1)
2. Respondents have a moderate view on the present inflation rate. (table 2)
3. It is understood that 60% of the respondents are of the opinion that, government would implement favorable policies for the paper industry. 40% of respondents have an opinion that, there is going to be increase in the demand for the product. (table 3)
4. From challenges front, it is understood that, difficulty in procurement of raw materials, increased competition and lower demand for the product may be faced in the upcoming years.
5. The respondents neither have a pessimistic view nor have an optimistic view about the future domestic demand for the product in the coming years. (table 5)
6. The respondents have an optimistic view on the increase in the sales for the company in the coming years.
7. It is understood that the respondents do not have a pessimistic view on the increase in the market share of the company in coming years.
8. It is understood that, the respondents neither have a pessimistic view nor have an optimistic view about the profitability of the company in coming years.
9. It is understood that, procurement cost of raw materials i.e. wood or chemicals imported from abroad will leads to the higher cost of production for them in upcoming years.
10. 50% of the entrepreneurs have an opinion that, the capacity utilization of the plant will increase and 50% of the entrepreneurs have a neutral view on the capacity utilization in the plant. This is because; they are operating their plants at more than 95% of the capacity.
11. It is understood that he respondents do not have a very optimistic view on the capacity expansion in future.
12. It is understood that there would be decrease in the employment opportunities by the company because of on-going up gradation of technology.
13. It is understood that, the majority (90%) of the respondents have positive opinion on the impact of RBI Committee recommendation on doubling the collateral free loan for MSMEs Sector.

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