

Impact Of Finance In Small Scale Industry Entrepreneurs For Their Growth And Development In Chennai

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Abstract

Financial institutions and the Government are very keen on the development and promotion of Small scale industry's - Entrepreneurs which includes capital sparing and labor intensive sector. The shortage of finance affects the ability of the small scale industry's Entrepreneurs and their units severely. All problems routed to finance, whether it is raw material, power, transport or marketing faced by an small scale entrepreneur in its extreme analysis turns out to be a problem of finance. The small scale industries gets elbowed out by the large and medium scale industries in the procurement of bank finance and institutional credit. The ultimate of the problem is very often that of finance. Small scale industry's Entrepreneurs were very poor and have little to offer as security for raising finance. So, the need of financial assistance to Small Scale Industry has become very important. Government and financial institutions providing various opportunities and financial assistance to small- scale industries right from their inception for their development and high growth but this assistance exists a real impact on the growth and development of small - scale industries which needs to be analysed. Accordingly, the study is an attempt to investigate the impact of financial assistance provided to Entrepreneurs in small-scale Industries in Chennai town

Index Terms: Entrepreneur Financial assistance, SSI, Working Capital

Introduction

Small-scale industry plays a vibrant role in the growth of a countries economy, it helps to generate various employment opportunities to skilled, semi-skilled and unskilled labor force. The growth of small-scale industry has been affected by various internal and external reasons namely finance, marketing, human resource, raw materials, management technique, rules and regulations, laws of the government, business cycle, etc. Amongst all these the major problems of SSI are a shortage of finance because all other problems of small-scale industries can be overcome by providing them adequate financial support and guidance. For example, if they have the adequate financial support they can easily access the raw materials, they can employ skilled labor force; they can easily modernize their need of infrastructure and technology used in the business etc. Hence the necessity of finance is the major role needed for the growth of small - scale industries. Finance to an enterprise is as blood as to the human body. Easy availability of Credit both in terms of need and Cost is the prerequisite of all enterprises, In India despite the government has taken several measures to expand availability of Credit to Small enterprises through government-owned financial institutions and Commercial banks for working Capital and also through term lending institutions with both central and state governments were coming up with various schemes and policies in order to encourage and support the growth of small-scale industries. And financial institutions are also given guidelines to support the growth of small scale industry's Entrepreneurs in India, but all these efforts made by them has not encouraged the small-scale industries in their growth and development to its fullest in our country. Still, the sector is facing the following major problems in the financial area like Long term Capital, Working Capital, Long term funds, Recovery, Taxation, Inadequate finance.

The present paper aims to discuss the level of impact of financial assistance provided by financial institutions like TIIC, IDBI to small-scale industries in Chennai town. The analyse mainly conducted in

Chennai town because availability of financial opportunities and the existence of manufacturing industries is high than other places in Tamil Nadu but at the same time the degree of competition to small-scale industries from other small-scale industries and from medium and large scale industries are high in Chennai town which in turn affects the growth by affecting their easy accessibility to working capital assistance since the financial institutions are concentrating more on medium and large scale than small-scale industries due to their inability to provide high collateral and various other reasons hence the financial position of the small-scale industries leads to a risk of falling as sick unit.

Objectives

- A. To analyze the impact of financial assistance by TIIC and IDBI to small-scale industries.
- B. To know the expectations of Entrepreneurs in small-scale industries from the financial institutions.
- C. To view on problems of small-scale industries in accessing financial assistance.
- D. To give recommendations for the growth and development of small scale industry's Entrepreneurs.

Statement Of Problem

Despite the financial assistance provided to small-scale industries, they were not upto the mark in the performance as expectations of many as suffering from several problems. Financial problem is one of the major problem faced by Small-Scale Industries. Financial assistance provided to small-scale industries by the financial institutions fails to create an impact on their development and growth. The study aims to discuss and analyse about the problems and asses the level of impact of financial assistance provided by financial institutions to small-scale industries entrepreneurs.

Research Methodology

4.1 Research Design

Primary data collected through questionnaire issued to the small scale entrepreneurs in chennai town and Secondary data collected from various websites, journals and magazines.

4.2 Universe of the Study

The survey was conducted in Chennai town, only entrepreneurs who received financial assistance from IDBI and TIIC were chosen for the study as a sample.

4.3 Sampling Technique

In this research, convenient random sampling technique has been used for choosing the samples.

4.4 Sample Size

For the research, the questionnaires were circulated among 200 respondents but the researcher was able to collect data from 150 respondents only.

4.5 Tools used for analysis

SPSS 16.0 Simple percentage and ANOVA were used to test the hypotheses in this study.

Limitations of the study

- (a) The study was conducted only in Chennai town and only two financial institutions were chosen for the study.
- (b) The analyses were done based on the data collected by the respondents only.

(c) The research was carried out in a short span of time, wherein the researcher could not widen the study.

There is many possibility of bias in the respondent's reply and the position of small-scale industries may change in future.

Review Of Related Literature

Iyer (2016) has recognized that a major problem confronted by a District' women entrepreneurs were social attitude, marketing problems, financial constraint, lack of good employees/workers inadequate institutional support and few more.

Princely Ifinedo (2011), Overall organizational readiness of Small and Medium Enterprises is not high enough for the adoption Enterprise System. Investing major organizational resources seems to have a strong influence on the adoption of Enterprise System. Companies with very limited resources are not intending to adopt Enterprise Systems. Information Technology and management services consultancy has the resources to adopt an Enterprise System, but the main reason of not adopting Information Technology yet is not being aware of its potential. All three adopting firms appeared to be technologically and financially ready to adopt Enterprise Systems.

Shamika Ravi (2009) in her study Entrepreneurship Development in the Micro Small and Medium Enterprise Sector in India has done an impact assessment of policies of the government and schemes of banks and financial institutions on the growth of small and medium scale industries in India and she has observed that these police and financial subsidies fail to have a positive impact on the growth of the industries rather than it makes them financially sick and inefficient for further expansion and diversification due to high rate of interest, collateral security, lack of knowledge etc.

Small industries extension training, (2009) in its study entitled, "National small industries corporation on hire purchase scheme" has observed that the growth in the number of units and the expansion of capital intensity alone may not create necessary impetus to the growth unless considerable productivity changes have also been effected through further capacity utilization. Most of the units utilizing full capatown have been either big export-oriented industries or local need-based activities. The reason for this underutilization is mostly insufficient demand and inadequate financial resources for working capital.

Profile Of Small Scale Industry's Entrepreneurs

7.1 Definitions of Micro, Small and Medium Enterprises

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two classes:

7.2 Manufacturing Enterprises: A **manufacturing enterprise** is a business entity established to produce goods for sale to wholesalers, retailers or end consumers. Some **manufacturing enterprises** are independent businesses. Others are established as a joint venture between two or more firms.

7.3 Service Enterprises: A **Service Enterprise** is an organization that strategically leverages volunteers to achieve operational efficiency and greater social impact. **Service Enterprises** were among the top 11 percent of nonprofits in the country in volunteer management and organizational performance. Important role played by small-scale industries in India

7.4 TIIC (Tamil Nadu Industrial Investment Corporation)

TIIC , established in 1949, is the first State level Development Financial Institution promoted for catalyzing industrial development . The Corporation had financed Greenfield projects, many of which are presently

successful brands. TIIC provides financial assistance for purchase of land, machinery and construction of buildings. The purpose could be for setting up new units / expansion / modernization / diversification of existing industries. Assistance is extended to both manufacturing and eligible service sector industries. It focuses on extension of assistance to Micro, Small, and Medium enterprises, which account for 90% of the total assistance. Further about 40% of the total assistance is availed by first generation entrepreneurs. The Corporation is guided by a Board of senior Bureaucrats, Banking Professionals and Sector representatives. The Corporation has continuously earned profit for past 16 years. TIIC has so far assisted 1, 23,544 units with a cumulative sanction of Rs.17,281 crores upto 31.03.2019.

7.5 Industrial Development Bank of India (IDBI)

Industrial Development Bank of India (IDBI) was constituted under Industrial Development Bank of India Act, 1964 as a Development Financial Institution (DFI) and came into being as on July 01, 1964 vide Gol notification dated June 22, 1964. It was regarded as a Public Financial Institution in terms of the provisions of Section 4A of the Companies Act, 1956. It continued to serve as a DFI for 40 years till the year 2004 when it was transformed into a Bank.

Analysis Of Data And Interpretation

Table 1: Gender of the respondents

	Frequency	Percent
Male	102	68.00
Female	48	32.00
Total	150	100.0

From 150 respondents 102 are male small scale entrepreneurs and 48 respondents are female small scale entrepreneurs.

Table 2: Investment levels of the respondents

	Frequency	Percent
25 Lakhs to 1 Crore	36	24.00
1Crore to 2 Crores	42	28.00
2 Crores to 3 Crores	40	26.66
3 Crores to 4 Crores	14	9.33
4 Crores to 5 Crores	18	12.00
Total	150	100.0

From the above table it is inferred that out of 150 respondents, 36 respondents have invested 25 Lakhs to 1 core in their business, 42 respondents have invested 1 core to 2 cores, 40 respondents have invested 2 to 3 cores, 14 respondents have invested 3 to 4 cores and 18 respondents has invested 4 to 5 cores in their business.

Table 3: Source of funds for industrial operation

	Frequency	Percent
Self	22	14.66
Loan from IDBI	45	30.00
Loan from TIIC	56	37.33

Others	27	18.00
Total	150	100.0

From the above table it is inferred that out of 150 respondents, 22 respondents have raised capital for their business from their personal source, 45 respondents have borrowed their capital from IDBI bank, 56 respondents have borrowed for their working capital from TIIC and 27 respondents have raised capital for their industrial operations from other sources.

Table 4: Financial assistance received

	Frequency	Percent
TIIC	82	54.67
IDBI	68	45.33
Total	150	100.0

From the above table it is inferred that out of 150 respondents, 82 respondents have borrowed different types of loans from IDBI bank for their industrial operations and 68 small scale entrepreneurs have borrowed different types of loans from TIIC for their business operations.

Table 5: Type of loan received from IDBI/TIIC

	Frequency	Percent
Short Term	25	16.67
Medium Term	40	26.67
Long Term	44	29.33
All	41	27.33
Total	150	100.0

From the above table it is inferred that out of 150 respondents, 25 respondent has borrowed only short-term loans from TIIC/IDBI, 40 respondents have borrowed medium-term loans, 44 respondents have borrowed only long-term loans and 41 respondents have borrowed all types of loans for their small-scale business from IDBI/TIIC.

Table 6: Loan procedures

	Frequency	Percent
Easy	28	18.67
Complicated	72	48.00
Understandable	50	33.33
Total	150	100.0

From the above table it is inferred that out of 150 respondents, 28 respondents feel that the loan procedures to get a loan are easy to follow, 72 respondents feel the procedures are very complicated to follow and 50 respondents have stated the loan procedures are understandable.

Table 7: Level of processing fee charged by TIIC/IDBI

	Frequency	Percent
Very High	20	13.33

High	31	20.67
Equal	62	41.33
Less	37	24.67
Total	150	100.0

From the above table it is inferred that out of 150 respondents, 20 respondents feel the processing fee charged by TIIC/IDBI is high compared to other financial institutions, 31 respondents feels the fee is high, 62 respondents feel the charges are equal with the processing fee charged by other financial institutions and 37 respondents states that IDBI/TIIC’s processing fee is less compared to other financial institutions.

Table 8 : Financial assistance received is able to meet working capital expenses

	Frequency	Percent
Strongly disagree	30	20.0
Disagree	41	27.33
No Opinion	21	14.00
Agree	37	24.67
Strongly Agree	21	14.00
Total	150	100.0

From the above table it is inferred that out of 150 respondents, 30 respondents strongly agree that financial assistance received by them from IDBI/TIIC is sufficient to meet their working capital requirements, 41 respondents agrees on it, 21 are neutral for that impact and 37 respondents disagree on the effects of financial assistance received from IDBI/TIIC to meet their working capital requirement and 21 respondents strongly disagrees it.

Table 9 : Financial assistance helps in diversification of business

	Frequency	Percent
Strongly disagree	20	13.33
Disagree	47	31.33
No Opinion	33	22.00
Agree	32	21.34
Strongly Agree	18	12.00
Total	150	100.0

From the above table it is inferred that out of 150 respondents, 20 respondents strongly agree financial assistance received helps them for diversification of their business, 47 respondents agree it, 33 respondents neither agree on it nor disagrees it, 32 respondents disagree it and 18 respondents strongly disagree that the financial assistance received does that help them for diversification purpose.

Table 10: Financial assistance received helps business in modernization

	Frequency	Percent
Strongly Disagree	21	14.00
Disagree	38	25.33
No Opinion	47	31.33
Agree	31	20.67
Strongly Agree	13	8.67

Total	150	100.0
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From the above table it is inferred that out of 150 respondents, 21 respondents strongly agree financial assistance received has effects on their modernizations and infrastructural development of their small-scale business, 38 respondents agree on it, 47 respondents neither agrees nor disagrees 31 respondents disagree it and 13 respondents strongly disagree the effect of financial assistance on their business for modernization and infrastructural development.

Hypothesis

9.1 ANOVA - Relationship between investment level and impact of financial assistance.

H₀: Impact of financial assistance provided does not significantly differ based on the investment level of the respondents

Table 11: Reliability Statistics

Cronbach’s Alpha	No. of Items
0.640	4

Table 12: Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
4.186	4	154	0.003

Table 13: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	77.567	4	19.669	1.651	.164
Within Groups	1734.589	154	11.914		
Total	1812.156	158			

Inference

From the above table it indicates that p-value = 0.164 is greater than the significance level $\alpha = 0.05$, so the null hypothesis (H₀) is accepted. Hence there is no relationship between investment level and impact of financial assistance (i.e.) the financial assistance provided to small-scale industries by the financial institutions have significant impact irrespective of their level of investment.

9.2 ANOVA- Significant Relationship between the type of loan received by the respondents and problems faced by SSI entrepreneurs in access to financial assistance.

H₀: There is no significant relationship between the type of loan received and problems faced by SSI in access to financial assistance.

Table 14: Reliability Statistics

Cronbach’s Alpha	No. of Items
0.768	4

Table 15: Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
2.530	3	156	0.052

Table 16: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	139.238	3	46.413	3.134	0.027
Within Groups	2310.256	156	14.809		
Total	2449.494	159			

Inference

From the above table, it indicates that p-value = 0.027 is less than the significance level $\alpha = 0.05$, so the null hypothesis (H0) is rejected. Hence, there is a relationship between the type of loan received by the respondents and problems faced by SSI entrepreneurs in acquiring financial assistance (i.e.) Problem levels in acquiring financial assistance differs on the basis of the type of loan received by the small-scale industries entrepreneurs.

Summary Of Findings

10.1 Impact of financial assistance

- (a) Financial assistance provided by financial institutions to the small-scale industries does not help them in the diversification of their business.
- (b) The small-scale industries were not able to modernize the infrastructure of their business with the help of financial assistance provided by the financial assistance.
- (c) Financial assistance received by the small-scale industries does not help their business for expansion..
- (d) During the time of recession/ depression period of their business, the financial support provided by the financial institutions does not help the small-scale business in recovery.
- (e) Proper counselling and clarification are not provided by the financial institution before acquiring a loan to the small-scale industry entrepreneurs.

10.2 Problems in acquiring financial assistance

- (a) Due to rigid interest, the small-scale industry faces a high level of problems in their financial position of their business
- (b) The problems faced by small scale entrepreneurs in repayment period of acquiring financial assistance is high .
- (c) The demand for refined collateral security for acquiring financial assistance by small-scale industries acts as a hindrance to the small-scale entrepreneurs in acquiring financial assistance.
- (d) Due to vague procedures, terms and policies in acquiring financial assistance the small-scale entrepreneurs face a high level of impact of problems.

- (e) The problems of abiding within the legal regulatory framework for acquiring financial assistance has a high level of impact.
- (f) The problems faced by small-scale industries have an association with the type of loan acquired by the small-scale entrepreneurs.

Suggestions

- (a) The procedures to acquire loan has to be made easy and understandable to the knowledge of the small-scale industries entrepreneurs by the financial institutions in order to help them.
- (b) Small-scale industries have a high level of need for financial assistance to meet their working capital requirement to support their business. So the financial institutions have to provide specially planned short-term loans to SSI to meet their working capital requirement with less rate of interest.
- (c) During the recession period, the financial institutions should make the small-scale industries to be financially strong or they should make plan to reduce their financial burden then only they can protect their business from becoming a sick unit.
- (d) The financial assistance provided by the financial institutions has failed to create a positive impact on the growth of small- scale industries. So the financial institutions have to come up with products exclusively planned for small-scale sector which helps them to grow and enhances their business to a better level.
- (e) The small-scale sectors should ensure the optimum utilization of their capacity available this can be done only when adequate finance and modernized machinery are available to them.
- (f) The need for normal loans is high in case of small-scale industries entrepreneurs to support their business in growth, So the financial institutions have to ensure that easy availability of loans without much rules and regulations should be followed by financial institutions.
- (g) The financial institutions should reduce the processing time for a loan to small-scale industries because timely financial assistance is much needed for the small-scale industries to grow and safeguard themselves from becoming a sick unit.
- (h) The interest rates should also be reduced to a certain extent since all the loan packages are planned considering medium and small-scale industries as a whole.
- (i) Women entrepreneurs have to be encouraged and educated to enter into manufacturing industries. Because governments are continuously providing huge opportunities, supports and schemes for women entrepreneurs for their welfare but women entrepreneurs were completely unaware.

Conclusion

The financial institutions should ensure the timely and quickly availability of financial assistance depending upon the type of need because finance plays an important role in the sustained development of the small scale industry's Entrepreneurs. The institutions should also concentrate on non-financial assistance like entrepreneurial development, improving the quality of labours, raw materials, availability of modernized technology at lower cost to small-scale industries, developing the knowledge of the international markets and opportunities available to small scale in industries around the world etc. has to be given to them because these things will encourage them to expand and diversify their business with more confidence and knowledge. The majority of the schemes offered by the banks and financial institutions are basically concentrated on large and medium scale industries and tries to concise the small-scale industries in within that schemes itself. They should come up with specially designed schemes for small-scale industries based

on their nature of business like for manufacturing industries the products offered to them should be designed keeping in mind that their investment level is limited and the area of operation is less compared to medium and large scale industries

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