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Impact on Credit Facilities and Problems Faced By The MSME with Special Reference To Chennai

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ABSTRACT

Micro, small and Medium Enterprises play an important role in the development of the country. However, these industries face difficulty in accessing adequate finance for their businesses.Prominent among them are the small industries development organization (SIDO), national small industries corporation (NSIC), export promotion authorities, SIDBI, NABARD, State infrastructure corporation by the National and state level agencies in fostering the overall growth of MSME sector is phenomenal. In order to see that Indian economy develops fast, planners and Economists advocated development of Micro small and medium industry. The MSMEs industries sector plays a vital role for the growth of the country. It contributes 40% of the gross manufacture to the Indian economy. MSMEs have to revitalize their marketing strategies, promotional strategies and they require lot of support from government.

INTRODUCTION

In fact the Micro, small and tiny sectors have a major role to play in developing nations which suffer due to low capital formation and over population. Government of India took several measures for the promotion and smooth functioning of this sector.

OBJECTIVES OF THE STUDY:

The objectives of the study are:

1. To discuss the credit facilitates offered to the MSMEs.
2. To analyze government's support in obtaining credit facilities.

REVIEW OF THE LITERATURE

The Growth of Small Scale Industries in India" Journal of Industry and Trade, April - 2005. The growth of small and medium industries in India was discussed in the above article. The expected growth was not there because of lot of root causes to sickness and underdevelopment in the MSME sector. This article discussed about the slow growth rate of MSMEs, dues to several problems. Through my study I focused on the one problem that is financial problems faced by the MSME segment. I concentrated on the credit facilities offered by the governmental agencies as well as the commercial banks. Ramachandra, K.S. Reviving Sick Units, "Financial Express" OCT 9, 2001 – the above article discussed the reviving the sick MSMEs in various aspects, like providing technology, management training, skilled labor, export promotion and giving finance, the root cause for all the above problems is the financial problem. The financial institution should provide sufficient amount at an easy disbursal system to promote the MSMEs.

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SAMPLE, SOURCE AND METHODOLOGY

SELECTION OF THE SAMPLE:

A systematic record for micro, small and medium industrial units of Rasipuram town does not exist. As registration of units in only optional many units are found to be operating without registration. No information could be obtained about the total number of such units and their locations. The study has been confined to those small units which are registered. The record maintained by District Industries Centre is used for preparing a list of small tiny units operating in Chennai. There were 54 micro, small and medium industrial units in DIC Registrar at the end of July, 2017 out of which 38 units presently working and remaining units were not working. 80% of units come under the tiny unit's category only. Among the units having investment more than Rs. 10, 00,000 are selected by using random sampling technique. The sample is confined to 25 units in total. A structured schedule of questions was prepared for this purpose.

ACCORDING TO MINISTRY OF MSME

TABLE NO 1

Classification	Investment ceiling for plant machinery or Equipments	
Micro	Manufacturing enterprise upto 25 lakhs	Service Enterprise upto 10 lakhs
Small	Above 25 lakhs and upto 5 crore	Above 10 lakhs and upto 2 Crore
Medium	Above 5 Crore and upto Rs. 10 crore	Above 2 Crore and upto 10 Crore

SERVICE SECTOR:

- Sale, maintenance and repairs of motor vehicles and motorcycles. Retail sale of automobile fuel.
- Hotels and Restaurants.
- Other service activities.

MANUFACTURING SECTOR:

- Manufacturing of food products.
- Manufacturing of textiles.
- Retail trade of personal Household goods.

RECENT INNOVATIONS

In recent years some initiatives have been taken by both governments and banks of developed and developing countries to make MSMEs more acceptable for funding by banks. These initiatives aim to reduce cost and risk in financing MSMEs. These may be summed up as follows. Venture capital funds have been floated to share risk, cost of funding and to provide support on market and management know how. Credit guarantee and rating institutions have been floated to support banks to assume risk unhesitatingly in financing MSMEs. More appropriate credit instruments have been developed to help MSME to have facile credit with less cost and collaterals. Better information systems and training modules have been developed to make MSME viable and acceptable. Despite these recent changes, MSMEs need some more hand holding to become attractive and viable.

FINANCIAL PROBLEMS OF MSMES:

The financial problem of MSMEs is the Root Cause for all the other problems faced by theMSME sector. The small and medium industrialists are generally poor and there are no facilities for cheap

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credit. Efforts have been made to analyze the various financial problems of small sectors. The analysis is done based on the data obtained from the sample units and care is taken to draw out meaningful conclusions.

ABOUT LINE OF ACTIVITY

S.No	Particulars	No. of Respondents	Percentage
1	Manufacturing	18	72
2	Service	3	12
3	Any other	4	16
		25	100

TABLE NO 2

Out of the hundred respondents met 72% are in manufacturing activity, 12% are offering services to the customers and remaining 16% are in other areas of business.

SOURCES OF BORROWED CAPITAL

S.No	Particulars	No. of Respondents	Percentage
1	Commercial Banks	13	52
2	State Financial Corporation	4	16
3	Commercial banks and SFC	3	12
4	Friends and Relatives	5	20
		25	100

TABLE NO 3

From the above table it is quite clear that the credit facilities are offered by the commercial banks about 52%, next comes the friends and relatives. The state financial corporation is funding around 16% of the respondents. The state financial corporation with collaboration with the commercial banks are offering credit to 12% of the respondents.

CATEGORIES OF UNITS

S.No	Particulars	No. of Respondents	Percentage
1	Small Scale	8	32
2	Medium Scale	3	12
3	Micro Scale	12	48
4	Public Private Participation	2	8
		25	100

TABLE NO 4

From the above table that 48% of the units are under micro scale category, followed by 32% of the units are under small scale. 12% of the units come under medium scale and remaining 8% comes under public private participations.

PROBLEMS FACED BY THE MSMES IN OBTAINING THE CREDIT

S.No	Particulars	No. of Respondents	Percentage
1	Non Eligibility of Credit	4	16
2	Rise in Interest Rate	5	20
3	Delay in process	10	40

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4	Heavy Documentation	6	24
		25	100

TABLE NO 5

From above table it is revealed that 16% of the respondents do not have the eligibility to obtain credit facility from the banks. 20% of the respondents had a problem, because of raise in the interest rates. 40% of the respondents feel that there is much delay in offering them to the entrepreneurs from the government side. 24% of the respondents feel that the government is going for heavy documentations.

FINDINGS

The manufacturing sector are high in proportionate to service sector. The maximum credit facilities availed from commercial banks. Shortage of finance and heavy documentation is considered to be the most important problem .

SUGGESTIONS

Creating partnership relationship of micro financing institutions with MSMEs for risk sharing. Developing equity market and venture capital for MSMEs. Evolving credit cards to maintain required liquidity in operation of MSMEs Providing facilities for securitization of debts for improving liquidity of financing

CONCLUSION

MSME financing has gained momentum in the last few years, because of their contribution to the GDP growth, Employment opportunities, and their Export potential. In line with the RBI directives, Commercial Banks, especially private sector banks have relaxed the lending norms to accelerate the credit flow. The crux of the issue in financing MSMEs is to find all the managerial, entrepreneurial qualities required to start and to meet the challenges posed in a competitive scenario. Besides the central and state governments, the financial institutions also have launched entrepreneurial development schemes, on going trainings and redressal mechanisms, so that entrepreneurial skills are fully exploited for the growth of the economy. Hence financial opportunities are a plenty to an entrepreneurs with zeal and enthusiasm.

REFERENCE

[1] http://www.csidc.in/Automotive%20Eng.pdf
[2] http://www.csidc.in/it%20english%20final.pdf
[3] http://www.csidc.in/Solar%20Policy%20English%20FINAL.pdf
[4] The Odisha government has unveiled a 1,600-crore INR investment plan aimed at creation of 32,000 new units in the MSME sector in the 12th Plan period (2012-17).
[5] http://www.osfcindia.com/PDF/SALIENT_FEATURE_OF_LOAN_POLICY_FY-11-12.pdf
[6] The scheme is pending with the central government with 54 plans forwarded.