



A STUDY ON THE PERFORMANCE EVALUATION OF ENTREPRENEURIAL ASSISTANCE SCHEMES OF SIDBI TO MSMEs IN KARNATAKA

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ABSTRACT

Entrepreneurship is an important driver for creating employment opportunities, boosting innovations and thereby fuelling growth. In the Indian context this is important to harness the demographic advantage and ensuring that people have livelihood opportunities despite low skills and education. The government of India has taken a large number of initiatives since 2014 which are changing the mind-set of people to foster the spirit of entrepreneurship. The earlier challenges in terms of access to credit, market linkages, space and network and mentors are being made available through programmes like Start-up India; Ease of Doing Business; Stand Up India, MUDRA and Atal Innovation Mission. In this background current study was conducted to highlight the performance of entrepreneurial assistance schemes of SIDBI to MSMEs in Karnataka. In order to evaluate the performance of SIDBI, 400 MSME entrepreneurs were selected across the Karnataka and collected their opinion through the structured questionnaire.

KEY WORD: SIDBI, MSME, refinancing, financial and non-financial support, entrepreneurship, marginalized.

INTRODUCTION

In India, there is a huge potential given the size of the market, to develop new enterprises as well as expand existing ones. The Micro, Small and Medium Enterprises (MSME) sector continues to contribute significantly towards the overall positive socio-economic development of India. Each enterprise holds substantial value as it provides not only self-employment but also opportunities to exponentially create jobs. Even the smallest enterprise propels the Great Indian Growth story. Therefore, it is not surprising that MSMEs are acknowledged as the backbone of the economy. The Ministry of Micro, Small and Medium Enterprises (M/o MSME) has taken several path-breaking steps towards further promotion of this sector by fostering the spirit of entrepreneurship and generating major opportunities for self-employment and job-creation. Thus, the ministry has been contributing to the equitable social and economic development of the country.

Micro, Small and Medium Enterprises contribute significantly to total industrial activity in our country and play a vital in boosting employment generation. Currently, there exist over seven crore MSMEs that create around twelve crore jobs in the country across various types of enterprises. This sector offers wide range of opportunities for self-employment as well as jobs after the agricultural sector. In addition, the labour-capital ratio tends to be much higher for MSMEs.



Driving growth through a support system of financial and advisory services

Historically, the development process has witnessed a trend of shifting of people from agricultural to non-farm activities such as manufacturing and services. This renders manufacturing and services crucial for the country's growth, development and employment agenda. As the country is expecting to witness significant demographic growth and an unprecedented expansion in the working age population in

coming years, the MSME sector per se would need to play an important role, to absorb this labour force. The Ministry of MSME has a focused approach towards providing support to entrepreneurship for realizing the vision of India becoming a nation of job creators rather than job seekers. The Government does realize the existing constraints and acknowledges the urgency to rejuvenate the sector with enhanced level of economic activity, thereby creating more employment opportunities in the country. Therefore, several schemes for upgradation and development of the sector are being successfully implemented by the government across the country.

In order to increase market access for MSEs and uplift the marginalized sections of the society, Public Procurement Policy (PPP) of Government of India is providing a drive towards entrepreneurship by way of giving preferential market access to MSEs. The mandate states that 20 per cent of total procurement of goods and services by CPSEs, Centre Ministries and other Government departments shall be made from Micro and Small Enterprises (MSEs), including 4 per cent from MSEs owned by SC/ST entrepreneurs. MSME Sambandh portal of the Ministry is helping the MSEs, including the SC/ST entrepreneurs, to participate in the Public Procurement of goods and services, thus giving rise to employment generation.

Timely access to credit has always been a challenge for entrepreneurs. Recognizing this crying need, Government has taken some pioneering steps to help the MSMEs is concerned, there has been almost an 80 per cent increase in the budgetary allocation under PMEGP. 48,398 micro units have been assisted during 2017-18 giving employment opportunities to about three lakh people. It is envisaged to establish around 70,000 micro enterprises during 2018-19 giving employment opportunities to nearly 5 lakh persons. A recent independent evaluation of PMEGP by MDI Gurugram revealed that under this flagship programme, each unit, on an average, employs 7.62 persons at a per capita investment of only Rs.96, 000.

As per the last NSSO survey, there are around 6.34 crore MSMEs in the country. They are steadily migrating to the formal economic system-registering in the GST network. An overwhelmingly large percentage of entities registered in the GSTN are MSMEs. They deserve all support for their growth. With such initiatives, India has embarked on a new wave economy as it has acknowledged the prospect the necessary impetus to seize the new opportunities and generate gainful employment in the non-farm sector. This will not only create new vistas for the aspirational MSMEs, but also contribute significantly to the surging economy of India and its equitable growth.

In this background the present study is conducted to highlight the perception of MSMEs entrepreneurs towards the performance of SIDBI and also find out the most popular financing schemes of SIDBI which provide financial support to the MSME's

REVIEW OF LITERATURE

Gupta (1998) highlighted that in India government bodies/organizations like SIDBI, IDBI and NABARD etc. are providing both financial and non-financial support required by the small scale cottage and industries and these organizations found to have been playing very significant role in the development of small scale and cottage industries in particular through financial assistance and consultancy services. **Bana (2000)** highlighted the role of the SIDBI in uplifting the SSI and it accounts form to the extent that 96 per cent of India's industrial units, 40 per cent of the production in the manufacturing sector and 35 per cent of the exporters apart from employing over 17 million people. Outstandingly, this sector has also encouraged a new generation of entrepreneurs and opened up novel lines of production also providing essential subsidiary contributions for the organized sector. He also points out that SIDBI considers that their service for MSMEs go much further than just loan money. **Verma (2005)** points out a particular examining organization would be set up to manage that the authentic credit requirements of the small scale sector are completely met. Also by resolving the late payments to small industries by introducing "factoring services" through Small Industries Development Bank of India (SIDBI). **Rajendhiran (2005)** explains that SIDBI offers direct and indirect support for setting up of new projects, expansion, modernization, technology up-gradation, quality improvement and export promotion. In addition, bank provides security free loan to develop the Small-Scale Sector. **Dalberg (2011)** highlights that MSME's in developing countries are frequently hindered by an

incapability to get financial capital for development and expansion and develop interferences to close the gap in financing and summarizes contribution roles for public and multilateral actors. **Gibson Chigermira et al (2003)** highlights that the financial sector liberalization to be flourishing MSME's must be put into practice not in separation but in combination with other corresponding and suitable policies in the real, financial external and public sectors. **Ilahi (2014)** focuses on the recognition of institutional non-financial support to MSME in Delhi. The significance of Micro, Small and Medium Enterprises (MSME) sector is well known from its important contribution to the socio-economic objectives of development in generation of employment, output, exports and encouragement entrepreneurship. At present, the sector accounts to about 95 percent of the industrial units in the country contributing to 40 per cent of the manufacturing sector output and about one-third of the nation's exports. The responsibility of a variety of institutional supports to promote the expansion of MSMS is exceptional. A small entrepreneur gets various types of support from different organizations for different reasons. **Sundar et al. (2002)** highlights the responsibility of Small Industries Development Bank of India (SIDBI) in providing financial support is usually admirable both in terms of number of proposals approved and the quantum of loans disbursed over a period of eight years. The bank is chiefly financing to small-scale industries through "refinance" and "bills financing" schemes.

Most of the literature reviewed focused on the various financial supports available to the MSMEs. Not much literature was available on the extent to which the finance was availed under the various schemes. Even the problems faced by the enterprises in acquiring financial support from the various financial institutions were not highlighted. Hence the present study tried to cover up the research gap.

OBJECTIVE OF THE STUDY:

The following are the objectives of the study

1. To study the various entrepreneurial supporting schemes for MSMEs from SIDBI.
2. To identify the problems of MSMEs in availing the financial assistance.

RESEARCH HYPOTHESIS:

H₀: "There is no significant association between the type of enterprise and the nature of enterprise"

H₀: "There is no significant association between the type of enterprise and scheme of SIDBI under which loan is applied"

RESEARCH METHODOLOGY:

The current study is an exploratory and expressive in nature and is based on review process and structured surveys distributed to entrepreneurs whose information is collected through closed ended questionnaire in Karnataka state. Data was also collected from 400 entrepreneurs belonging to Micro, Small and Medium Enterprises were the respondents of the study. The following interpretation of the data gives an insight to the objectives of the study.

For the purpose of secondary data books, review reports, articles, news bulletins, annual report of the institutions, periodicals, journals, SIDBI's website, internet and other websites related to the topic of study.

Statistical tools such as frequency distribution, percentage analysis, chi-square test have been used. Software tool SPSS is used for various statistical analysis.

Data analysis and interpretation

Table 3: Type of Finance Required by the MSME

Types of Finance	Type of Enterprise			Total
	Micro	Small	Medium	
Short-Term Finance	18	41	36	95
Medium-Term Finance	14	77	94	185

Long-Term Finance	25	16	79	120
Total	57	134	209	400

Source: Primary data

The above table no 3 reveals type of finance required by MSME in Karnataka. 95 out of the 400 entrepreneurs require short-term finance for the development of business, 185 entrepreneurs require medium-term finance, and 120 entrepreneurs require long-term finance for the development of the business.

Table 4: Loan applied under which scheme of SIDBI

Loan Schemes	Frequency	Percent
National Equity Fund Scheme	39	9.8
Technology Development & Modernizations Fund Scheme	105	26.3
Single window scheme	154	38.5
Composite loan scheme	25	6.3
MahilaUdyamNidhi (MUN) Scheme	29	7.2
Venture Capital Scheme	41	10.3
Micro Credit Scheme	7	1.8
Total	400	100

Source: Primary Data

From the table 4, the most preferred scheme of SIDBI was single window scheme 154 (38.5%) as it was easy for the entrepreneurs to apply for loan under this scheme. The next scheme opted was Technology Development and Modernization Fund Scheme, 105(26.3%) The funds applied for under this scheme were either for updation of technology or for technological development. MahilaUdyamNidhi (MUN) Scheme was for women entrepreneurs and it supported the rural women entrepreneurs.

Table 5: Time taken for sanctioning and release of funds

Duration	Frequency	Percent
Less than 1 month	19	4.8
1 month to 3 months	105	26.3
3 months to 6 months	163	40.8
6 months to 1 year	103	25.8
More than 1 year	10	2.5
Total	400	100

Source: Primary Data

As can be seen from above Table 5, 163(40.8%) of the respondents opined that it took 3 to 6 months for the loan to be sanctioned and release of funds which was considered as nominal duration. In some cases 103(25.8%) the time taken was 6 months to 1 year. The sanction and disbursement of loan depends on various factors like type of financial institution where the loan is applied, the formalities of documents , amount of loan and back ground of the entrepreneur. In case of small loan amounts 105(26.3%) the time taken was 1 month to 3 months.

Table 6: Level of difficulty in obtaining the loan

Difficulties level	Frequency	Percent
Very high	5	1.3
High	82	20.5
Moderate	252	63
Not difficult	52	13
Not at all difficult	9	2.3
Total	400	100

Source: Primary Data

The above table 6 reveals that, 252(63.0%) opined that the difficulties that they encountered in obtaining the loans were moderate. Most difficulties faced were unavailability of officials, too many documents and formalities to be fulfilled. 52(13.0%) of the respondents did not encounter difficulties in obtaining as they were aware of the procedures in loan applications and had done a back ground study of the loan application procedures.

Table 7: Formalities in getting loan from financial institutions (SIDBI)

	Frequency	Percent	Valid Percent	Cumulative Percent
Rigid	78	19.5	19.5	19.5
Flexible	322	80.5	80.5	100
Total	400	100	100	

Source: Primary Data

The above table 7 reveals that, 322(80.5%) of the respondents stated that the formalities in getting loan from financial institutions like SIDBI were flexible. There were not very stringent rules and if all the required for loan applications were provided to the officials then there were no hazels faced.

Table 8: Terms and conditions in getting loan from Financial institutions (SIDBI)

	Frequency	Percent	Valid Percent	Cumulative Percent
Favourable	343	85.8	85.8	85.8
Unfavourable	57	14.2	14.2	100
Total	400	100	100	

Source: Primary Data

The above table 8 reveals that, it was found that 343(85.8%) of the respondents said that the terms and conditions in getting loan from financial institutions like SIDBI and State Financial Institutions were favourable. The procedures were simple and easily understandable and hence the respondents did not face many problems when they applied for loans to various financial institutions.

Table 9: Rate of Interest in getting loan from financial institutions (SIDBI)

	Frequency	Percent
High	53	13.3
Moderate	347	86.8
Total	400	100

Source: Primary Data

The above table 9 reveals that, the response to the rate of interest on the loan from financial institutions. Out of 400 respondents studied 347(86.8%) felt that the rate of interest was moderate when compared to other private financial institutions. Only 53(13.3%) felt that the rate of interest was high may be they were not aware of the prevailing interest rates.

Table 10: Mode of payment in getting loan from financial institutions (SIDBI)

Variable	Frequency	Percent
Favourable	354	88.5
Unfavourable	46	11.5
Total	400	100

Source: Primary data

As can be seen from the above table 28, the mode of repayment was favourable after the loan was sanctioned and disbursed. The payment could be made in monthly instalments or quarterly as decided among the financial institutions and the borrower. 354(88.5%) said that the mode of payment was favourable.

Hypothesis 1:

H0: There is no significant association between the type of enterprise and the nature of enterprise.

H1: There is a significant association between the type of enterprise and the nature of enterprise.

Table 11: Cross-tabulation of Types of Enterprises and Nature of Enterprises

Types of Enterprises		Micro	Small	Medium	Total
Nature of Enterprise	Engineering & manufacturing	15	51	135	201
	Textile	13	0	0	13
	Plastic	11	0	1	12
	Services	8	37	15	60
	Trading	0	29	20	49
	Others	10	17	38	65
Total		57	134	209	400

Source: Primary data

Chi-square test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	198.380 ^a	10	0

Since the p-value 0.000 is less than the chosen significance level ($\alpha = 0.05$), we reject the null hypothesis. Rather, we conclude that there is enough evidence to suggest an association between the type of enterprise and the nature of enterprise at 0.05 levels. Hence null hypothesis is rejected and alternate hypothesis is accepted. Based on the results, we can state that an association was found between the type of enterprise and the nature of enterprise ($\chi^2(198.380 > 18.306$ the critical value for 10 degrees of freedom, $p = 0.000$).

Hypothesis 2:

H₀: “There is no significant association between the type of enterprise and scheme of SIDBI under which loan is applied”

H₁: “There is a significant association between the type of enterprise and scheme of SIDBI under which loan is applied”

Table 11: Cross-tabulation of Types of Enterprises and loan applied under various schemes

Types of Enterprises		Micro	Small	Medium	Total
Loan applied under Schemes of SIDBI	National Equity Fund Scheme	2	15	22	39
	Technology Development & Modernizations Fund Scheme	7	27	71	105
	Single window scheme	37	53	64	154
	Composite loan scheme	0	11	14	25
	MahilaUdyamNidhi (MUN) Scheme	0	9	20	29
	Venture Capital Scheme	10	17	14	41
	Micro Credit Scheme	1	2	4	7
Total		57	134	209	400

Source: Primary data

Table 12: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	43.891 ^a	12	0

Since the p-value 0.000 is less than the chosen significance level ($\alpha = 0.05$), we reject the null hypothesis. Rather, we conclude that there is enough evidence to suggest an association between the type of enterprise and the scheme of SIDBI under which loan was applied at 0.05 levels. Hence null hypothesis is rejected and alternate hypothesis is accepted. Based on the results, we can state that an association was found between the type of enterprise and the scheme of SIDBI under which loan was applied ($\chi^2(43.891 > 21.026$ the critical value for 12 degrees of freedom, $p = 0.000$).

CONCLUSION

India has a vibrant MSME sector that plays an important role in sustaining economic growth, increasing trade, generating employment and creating new entrepreneurship in India. But the MSME sector

faces a lot of obstacles in obtaining adequate finance. Government of India has laid down various schemes for MSME through recommendations given by various committees. But due to few obstacles these schemes are not as effective as they should be. Only 4.8 percent of the entrepreneurs got loan within one month duration whereas others have waited more than one month period to get the loan from SIDBI and it is not good sign for the development of the MSMEs in the developing country like India. So it is suggested that entrepreneurs requires such a system which ensure quick and smooth loan sanctioning processes. SIDBI is playing very imperative role in the developing the entrepreneurs environment in the country. Without any financial intermediators support we can't expect the MSME to growth and develop. Therefore it is suggested that new credit products could be developed for meeting the unexpected working capital requirement of MSMEs in haste free manner and in a short time. The process followed in sanctioning the loan and documentation required is cumbersome; hence it is required to make the process easier.

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