

**A Study on the Financial Aspects of Micro, Small and
Medium Enterprises in Bathinda District of Punjab,
India**

Dissertation Submitted to the Central University of Punjab

For the Award of

Master of Philosophy

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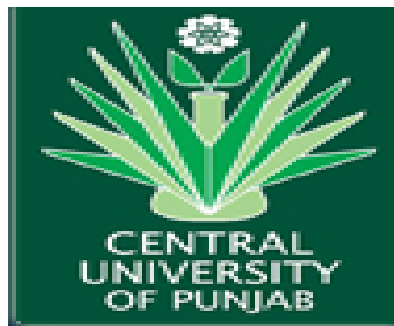
Economic Studies

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DECLARATION

I declare that the dissertation entitled "A STUDY ON THE FINANCIAL ASPECTS OF MICRO, SMALL AND MEDIUM ENTERPRISES IN BATHINDA DISTRICT OF PUNJAB, INDIA" has been prepared by me under the supervision of Dr. Jainendra Kumar Verma, Assistance Professor, Centre for Economic Studies, School of Social Sciences, Central University of Punjab. No part of this dissertation has formed the basis for the award of any degree or fellowship previously.

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CERTIFICATE

I certify that POONAM RANI has prepared his dissertation entitled “A STUDY ON THE FINANCIAL ASPECTS ON MICRO, SMALL AND MEDIUM ENTERPRISES IN BATHINDA DISTRICT OF PUNJAB, INDIA” for the award of M.Phil degree of the Central University of Punjab under my guidance. She has carried out this work at the Centre for Economic Studies, School of Social Sciences, Central University of Punjab, Bathinda.

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ABSTRACT

A Study on the Financial Aspects of Micro, Small and Medium Enterprises in Bathinda District of Punjab, India

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The research entitled 'A Study on the Financial Aspects of Micro, Small and Medium Enterprises in Bathinda District of Punjab, India' is an empirical study for various financing aspects in Micro, Small and Medium Enterprises. The study is hypothesis based. The main objectives of the study to know the socio- economic conditions of entrepreneurs in Bathinda, to study the main reasons to start up the enterprises and the sources of finance at the time of establishment of enterprises in Bathinda and to examine the finance related issues in MSMEs in Bathinda. The study is based on primary data collected for the purpose from Bathinda district through purposive sampling. Percentage, frequencies, descriptive statistics, z test are used to analyse the data for testing hypothesis to fulfill the objectives of the study. MSMEs face a number of financial problems while availing credit from commercial banks as well as Government agencies. These financial institutions ask for a lot of information and data, SFCs takes quite a lot of months to take decision on extending term loans. This small sector is not in a situation to recommend guarantee required by the banking

sector. Even when small loans can be raised from Government associations the process is so burdensome that for the most part of the entrepreneurs, who either are illiterate or semiliterate, hesitate to make use of these services. In the study we found that entrepreneurs face various financial problems in Bathinda. The main reason for financing problem to entrepreneurs is that there is lack of awareness to entrepreneurs about the finance related agencies which provide financing support to them for the development of their enterprises.

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Dr. Jainendra Kumar Verma

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LIST OF ABBREVIATIONS

Sl. No	Full Form	Abbreviation
1.	Agro and Rural Industries	ARI
2.	Credit Guarantee Fund Trust for Micro and Small Enterprises	CGTMSE
3.	District Industries Centers	DICs
4.	Development of Women and Children in Rural Areas	DWCRA
5.	Gross Domestic Product	GDP
6.	Government of India	GOI
7.	Industrial Finance Corporation	IFC
8.	Integrated Rural Development Programme	IRDP
9.	Jawahar Rojgar Yojana	JRY
10.	Khadi and Village Industries	KVI
11.	Ministry of Micro, Small and Medium Enterprises	M/o MSME
12.	Micro, Small and Medium Enterprises	MSME
13.	Micro, Small and Medium Enterprises Development Act	MSMED
14.	National Bank for Agriculture and Rural Development	NABARD
15.	National Small Industries Corporation	NSIC
16.	National Commission for Enterprises in the Unorganized Sector	NCEUS
17.	Pradhan Mantri Rojgar Yojana	PMRY
18.	Rural Small Business Development Centre	RSBDC
19.	Rural and Women Entrepreneurship Development	RWED
20.	Small Scale Industries	SSI

21.	Small Industries Development Organisation	SIDO
22.	State Small Industries Development Corporation	SSIDC
23.	Small Industries Development Bank of India	SIDBI
24.	State Finance Corporation	SFC
25.	Training of Rural Youth for Self Employment	TRYSE
26.	World Association for Small and Medium Enterprises	WASME

CHAPTER 1

INTRODUCTION

1.1 Background

In this scenario, Micro, Small, and Medium Enterprises (MSMEs) are the foremost contributor to the economic growth of all countries across the world. The contribution of MSMEs to the improvement of Indian Economy is important. MSMEs in India is providing employment opportunities to approximately 10 million people every year and turn out to be the second largest sector generating employment opportunities and providing equitable regional development after agriculture. This sector account for more than 90% of total industries in the country, have 45% contribution to industrial production, 40% in national export and 17%of GDP, proved that MSMEs is the base of Indian economy (Dahale et al., 2015). These enterprises are the complement to large-scale industries as supplementary units and add extremely to the socio-economic development of India. However, MSMEs' contribution is unique in the development of Indian economy. Some other issues such as the depression, lack of demand, money, and competition from MNCs etc. are becoming a bare problem to MSMEs in India. Therefore, in present work, an attempt has been made to identify the problems related to finance of MSMEs in Bathinda district (Singh and Singh, 2014).

Micro, Small, and Medium Enterprises not only play a crucial role in providing large employment opportunities at comparatively less capital cost than large scale industries, but it also helps in the industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable allocation of national income and wealth. MSMEs are complementary to large scale industries as ancillary units and this sector contributes extremely to the socio-economic growth of the country. Khadi and Village Industries (KVI) are two national heritage industries of India. One of the most important aspects of KVI in India is that this industry creates employment at a very low per capita investment. The KVI sector not only serves the basic needs of processed goods of the vast rural sector of the country but also provides sustainable employment to rural artisans. Coir industry is also significant in these SSIs. This is the agro-based, which is originated in the state of Kerala, proliferated to the other coconut

producing states like Tamil Nadu, Karnataka, Andhra Pradesh, Odisha, West Bengal, Maharashtra, Assam, and Tripura and like. This is an export-oriented industry and has a greater role in enhancing exports. Ministry of Micro, Small, and Medium Enterprises envisions a vibrant MSME sector by promoting growth and development of the MSME sector, including Khadi, Village, and Coir Industries, in cooperation with related Ministries/Departments, State Governments and other stakeholders, through providing support to existing enterprises and encouraging the creation of new enterprises.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified on 2nd October 2006 to address policy issues affecting MSMEs as well as the coverage and investment upper limit of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for appreciation of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. On 9 May 2007, consequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, the previous Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises. This Ministry now designs policies and promotes/facilitates programmes, projects and schemes and monitors their achievement with a view to supporting MSMEs and helps them to scale up (MSME annual report, 2014-15).

The MSMED Act, 2006 has broadly classified enterprises into two categories: (i) manufacturing; and (ii) those engaged in providing and rendering of services. Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery or on equipment.

The enterprises occupied in the manufacture or production of goods pertaining to any business is specified in the first schedule of the Industries Development and

Regulation Act, 1951. The manufacturing enterprise is defined in terms of investment in plant and machinery.

- A micro enterprise is that enterprise in which the investment in plant and machinery does not exceed twenty-five lakh rupees;
- A small enterprise is that enterprise in which the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five crore rupees; or
- A medium enterprise is that enterprise in which the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

The enterprises engaged in providing or rendering services are defined in terms of investment in equipment.

- A micro enterprise is that enterprise in which the investment in equipment does not exceed ten lakh rupees;
- A small enterprise is that enterprise in which the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or
- A medium enterprise is that enterprise in which the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

The present upper limit on investment to be classified as micro, small or medium enterprises is given in Table: 1.1

Table 1.1: Classification of MSMEs according to Micro, Small and Medium Enterprises Development Act, 2006

Enterprises	Investment in Plant & Machinery (Manufacturing)	Investment in Equipment (Services)
Micro	Up to Rs.25 lakh	Up to Rs.10 lakh
Small	Above Rs. 25 lakh upto Rs.5 crore	Above Rs. 10 lakh upto Rs.2 crore
Medium	Above Rs. 5 crore upto Rs.10 crore	Above Rs. 2 crores upto Rs.5 crore

Source; Micro, Small and Medium Enterprises Development Act, 2006

There are various issues that this sector faces like issues of adequate finance, issues in marketing, issues of skilled workers, and the approach of raw material at an exact time, etc. The present study describes the issues of finance of MSMEs in Bathinda district that entrepreneurs are facing in the business.

1.2 State/UT Wise Status of MSME Sector in India

Table 1.2 indicates that Punjab State contributes Rs. 37126.69 crore in the investment in India's total investment in MSMEs. This part of the investment is less than some other states such as Gujarat, U.P., Tamil Nadu and Kerala, and like. The main reason of less investment in MSMEs in Punjab is that Punjab is an agricultural state, most of the people are not interested in business, and most of them are related to agricultural background families. Some other problems like insufficient marketing, lack of finance for fixed capital, lack of skilled labor, lack of raw material are the major issues in the less investment in MSMEs in Punjab.

Table 1.2: State/UT Wise Status of MSME Sector in India (2014-15)

Si. No.	State/UT	Enterprises (in Crore)	Employment (in Crore)	Investment (in Crore)
1	Jammu & Kashmir	0.0133	0.0307	8475.28
2	Himachal Pradesh	0.0172	0.0292	5599.25
3	Punjab	0.1014	0.1831	37126.69
4	Chandigarh	0.0029	0.0007	607.05
5	Uttarakhand	0.0223	0.0442	6014.98
6	Haryana	0.052	0.1223	25998.8
7	Delhi	0.0178	0.0652	10164.54
8	Rajasthan	0.0968	0.1842	25452.9
9	Uttar Pradesh	0.2421	0.0593	56161.03
10	Bihar	0.0798	0.1745	8405.45
11	Sikkim	0.0007	0.0057	72.16
12	Arunachal Pradesh	0.0025	0.0088	937.48
13	Nagaland	0.0018	0.0117	1273.67
14	Manipur	0.0049	0.0158	646.03
15	Mizoram	0.0013	0.0056	403.14
16	Tripura	0.0028	0.0076	661.73
17	Meghalaya	0.0005	0.0117	468.55
18	Assam	0.0234	0.0658	6941.15
19	West Bengal	0.2123	0.5853	39433.22

Contd.....

Sl. No.	State/UT	Enterprises (in Crore)	Employment (in Crore)	Investment (in Crore)
20	Jharkhand	0.0443	0.0899	5020.72
21	Odisha	0.0997	0.2367	12284.89
22	Chhattisgarh	0.0301	0.0543	3303.41
23	Madhya Pradesh	0.1257	0.0203	10530.4
24	Gujrat	0.1532	0.3442	166753.68
25	Daman & Diu	0.0002	0.0028	1881.53
26	Dadra & Nagar Haweli	0.0006	0.0034	229.58
27	Maharashtra	0.1532	0.3561	67941.24
28	Andhra Pradesh	0.1536	0.3898	32757.63
29	Karnataka	0.1249	0.3048	27161.11
30	Goa	0.0059	0.012	3820.19
31	Lakshadweep	0.0001	0.0005	17.3
32	Kerala	0.1444	0.0332	44353.53
33	Tamil Nadu	0.2055	0.5316	77824.34
34	Pondicherry	0.0014	0.0046	1135.29
35	Andaman & Nicobar	0.0007	0.0023	96.95
	Total	2.1438	5.1093	689954.86

Source: MSME Annual Report (2014-15)

1.3 District-Wise Status of MSME Units in Punjab

Table 1.3 describes the districts wise employment and investment of the MSME units in the Punjab state. The table shows that the highest fixed investment Rs.1443.42 crore in Ludhiana, Rs.712.68 crore in Amritsar and Rs. 508.95crore in Patiala. From the given table we can say that investment in Bathinda District is as much lower than these above-mentioned districts. The main reason of less investment in the Bathinda District may be that people are not aware of different policies and schemes related to finance in MSMEs. This table provides the investment comparison between different districts in the Punjab state. On the basis of this table, we can compare investment in Bathinda from the other district in Punjab. This table explains that fixed investment in Bathinda is lower than some other district in Punjab. In the present study, we will check that the main reason for less investment is the financing issues that faced by MSMEs in Bathinda exists or not.

Table 1.3: District-Wise Status of MSME Units in Punjab (2015-16)

Sl. No.	District	No. of Units	Employment	Fixed Investment (Cr. Rs.)
1	Amritsar	25364	114921	712.68
2	Barnala	1788	6816	62.39
3	Bathinda	4209	21810	181.28
4	Faridkot	2188	13512	84.37
5	Fatehgarh Sahib	3087	18571	250.99
6	Ferozepur	4340	19674	233.44
7	Gurdaspur	9435	56512	193.28
8	Hoshiarpur	6457	27492	157.59
9	Jalandhar	22906	137723	527.97
10	Kapurthala	4198	21150	104.3
11	Ludhiana	38393	308713	1443.42
12	Mansa	1971	7144	43.36
13	Moga	3281	21729	168.94
14	Muktsar	3368	18372	99.51
15	Nawanshahar	2380	8372	33.63
16	Patiala	7844	41447	508.95
17	Ropar	2816	12138	98.77
18	S.A.S. Nagar	6063	30666	681.62
19	Sangrur	10636	52315	368.29
20	Tarn Taran	1835	5158	17.48
	Total	162559	944241	5972.25

Source: State Profile of Punjab (2015-16)

1.4 Financing issues of MSMEs in India

All the industries require resources to meet they're fixed as well as variable costs, but most of the MSME owners lack required capital to set up and manage the enterprise. Thus, they are compelled to borrow. The dependence on debt for investment depends greatly on the size of the firm.

Micro enterprises depend on debt as a primary source for both early and growth stage while small and services primarily manage in cash and tend to keep negligible records. Manufacturing enterprises and the services tend to need more finance because of the longer working capital cycle and higher capital expenses. But banks are not the primary source of finance for most of the enterprises as owners find the application process burdensome and tedious. Also, they do not qualify for loans due to lack of both collateral and positive balance sheets. According to Industrial Finance

Corporation (IFC), the dominant source of finance is the informal sector 95% of which represent the non-institutional sources like family, friends, relatives etc. Institutional channels like trade credit, chit funds, and moneylenders tend to be costly, charging interest rates ranging from 25% to 60% per annum. So these always tend to be a debt gap which works as a huge barrier in setting up as well as working of MSMEs (Saini, 2014).

In respect of MSME contribution, there are many organizations that have been set up by the central governments, state governments, and banks to support the development of the MSME sector.

There are two types of sources of finance for funding MSMEs, viz., internal and external sources.

Internal sources of finance come from the business' assets or activities: (i) Retained Earnings - If the industry had a blooming trading year and made an income after paying all its expenses, it could use some of that profit to finance future activities. This can be a very important source of long-term finance, provided the business is generating income. (ii) The business can finance new activities or pay-off debts by selling its assets such as property, furniture and fittings, machines, vehicles etc. This type of source often used as a short term source of finance (e.g. selling a vehicle to pay debts) but could provide more longer term finance if the assets being sold are very helpful (e.g. land or buildings). If a business wants to use its assets, it may consider sale and lease back where it may sell its assets and then rent or hire it from the business that now owns the assets. It may mean paying more money in the long run but it can provide cash in the short term to avoid a crisis (Verma, 2013). (iii) The stock is a type of asset and can be sold to increase finance. Stock includes the enterprises' assets of raw materials (inputs), semi -finished products and also finished products that it has not yet sold. Businesses will usually hold some stock. It can be valuable if there is a sudden increase in demand from customers. It is not usually a source of large amounts of finance - if a business has very large stockpiles, it might mean that nobody desires to buy the product and reducing stocks will, therefore, be hard. It is often considered to be a short-term funding source of finance. (iv) A trade

credit is a contract where a buyer can purchase goods on the account (without paying cash), paying the supplier at a later date. Generally, when the goods are delivered, a trade credit is given for a particular number of days – 30, 60 or 90. Jewelry businesses from time to time expand credit to 180 days or longer. Trade credit is basically a credit a company gives to another for the purchase of goods and services.

External Sources of finance comes out of the enterprises. This type of finance source includes the business owing money to outside individuals or institutions. (i) Personal savings is the source of finance applies to only traders and partnerships. Owners may use some of their own money as capital to invest in the business. They would receive idleness payment that they might use to start their own business. (ii) In the commercial bank finance we will consider two types of finance that banks offer to entrepreneurs, first, one is an overdraft and the other is a loan from commercial banks. An overdraft is an extension of credit from a lending institution when an account reaches zero. An overdraft allows the person to maintain withdrawing money even if the account has no funds in it. Businesses will often have an arrangement with the bank whereby the bank will pay the extra money provided the business will pay them back in a fairly short period of time, with interest. Overdraft is a short term source of finance and is helpful for small amounts. This type of credit often used for buying inputs in the business. A bank loan is a long term source of finance and will often be for much larger sums of money. A loan is useful for the starting up a new business and for the growing enterprises. Loans are often used to purchase a permanent property such as machines and vehicles. A business will pay the bank back each month in installments and will also compensate an interest charge on this amount. Interest - Banks are providing a service by lending money in the form of overdrafts and loans and banks will charge for these services. When a business takes a loan, it will agree to pay it back over a period of years but it will also pay an extra charge. This charge, called interest, is a percentage of the value of the loan (Verma, 2013). (iii) Building societies are the form of financial institutions that are identical to banks. These institutions provide loans but they specialize in providing mortgages. A mortgage is a particular type of loan used to purchase property (factories, shops, etc). Loans and mortgages tend to be paid back over a long period of time, usually several

years, at an interstate. In recent years, the difference between bank and building society has reduced and both are now very similar. Both of these sources can offer mortgages and loans (Verma, 2013). (iv) Share issue is a significant source of finance for a limited company. A share issue involves a business selling new shares that entitle the shareholders to share in the control of the business. Each share gives the shareholder a vote on the direction of the company. This usually means that the shareholder can elect the board of directors of the company each year. If the shareholder doesn't like the way the directors are running the business, they can elect new directors. This is a good incentive to the directors to run the business healthy and make a profit which will be paid to the shareholders in the form of dividends. The more shares a person holds, the more control they have over a company. If one company wanted to take another company over, it could arrange to buy over 50% of that company's shares. This would give it a greater part of the control and, therefore, ownership. Issuing new shares can raise a lot of capital that can be used for expansion (buying more fixed assets, etc). It is a long term source of finance. If the total number of shares rises, the votes of existing shareholders will have slightly less significance and they will have less control. The business will also have to pay dividends on a larger number of shares. (v) Debenture is a form of long-term loan that can be in use out by a public limited company for a huge sum and it will be paid back over several years. This finance source is usually borrowed from specialist financial institutions. If a company needs money for expansion and development purpose without raising its share capital, it can borrow from the general public by issuing certificates for a fixed period of time at a fixed rate of interest. This type of loan certificate is called a debenture. (vi) Some persons join mutually to supply finance for new businesses that are on just on starting stage. They look for promising businesses and invest in them, hoping that the businesses will grow and that they will make a profit. This type of finance source is similar to issuing shares (Verma, 2013). (vii) Leasing includes business renting equipment that it may use for several years or months but never own. It will have a contract with a company who may come into repair and service the product. The deal may also involve the product being replaced with a new model every so often. On the other hand, hire purchase includes paying

for equipment in installments. The industry will not own the item until all the payments have been made. This source usually works out more expensive to buy an item on hire purchase than paying all at once but it does mean that the business doesn't have to spend a large amount of money at once.

1.5 Institutional Support to MSMEs in India

MSMEs constitute a vibrant and dynamic sector of Indian industrial economy. This sector has shown constantly good growth in terms of output, creation of extra employment and remarkable performance in exports, year after year. The contribution of MSMEs to industrial growth and economic development of the country has been greatly important. The problems faced by the MSMEs mostly in accessing technology and maintaining competitiveness have been difficult. Lack of familiarity with new options, inability in accessing them and lack of necessary finance for growth require being addressed through institutional support.

Small Industries Development Organisation (SIDO):- Small Industries Development Organisation is created for the development of various small scale units in different areas. SIDO is a subsidiary office of the department of SSIs and ARI. SIDO is a nodal agency for identifying the requirements of SSI units coordinating and monitoring the policies and programmes for promotion of SSIs. SIDO undertakes different programmes of training, consultancy, estimation for needs of SSIs and development of industrial estates. All these functions are taken care with 27 offices, 31 SISI (Small Industries Service Institute) 31 extension centres of SISI and 7 centres related to production and process development (Verma, 2013).

State Small Industries Development Corporation (SSIDC):- The State Small Industries Development Corporations (SSIDC) was set up in various states under the companies' act 1956, as state government undertakings to provide to the primary developmental needs of the small tiny and village industries in the state/union territories under their jurisdiction. Incorporation under the companies act has provided SSIDCs with greater operational flexibility and wider scope for undertaking a variety of activities for the advantage of the small sector (Verma, 2013).

District Industries Centers (DICs):- The District Industries Centers (DICs) programme was started in 1978 with a view to providing incorporated administrative structure at the district level for the encouragement of SSIs in rural areas. The District Industries Centers are envisaged as a single window interacting organization at the district level providing service and support to small entrepreneurs beneath a single roof. District Industries Centers are the implementing arm of the central and state governments of the various schemes and programmes. Registration of small industries is done at the district industries centre and PMRY (Pradhan Mantri Rojgar Yojana) is also implemented by DICs (Verma, 2013).

National Bank for Agriculture and Rural Development (NABARD):- NABARD was recognized in 1982 to encourage integrated rural development. Since then, this institution has kept on adapting multi-dimensions policy for the promotion of rural business. This institution supports not only agriculture but it also supports small-scale, cottage and village industries and also rural artisans using credit and non-credit approaches. This also offers counseling and consultancy services and organizes various training and development programmes for rural enterprises.

Rural Small Business Development Centre (RSBDC):- RSBDC was established by world association for small and medium enterprises which is sponsored by NABARD. It provides assistance to the socially and economically disadvantaged individuals and groups. The major objective of this association is to provide management and technical support to micro and small entrepreneurs in the rural areas of the country. This institution has organized several programmes on rural entrepreneurship, skill up gradation workshop, mobile clinics and trainers training programmes, awareness and counseling camps in various villages. Through these programmes, it covers a large number of rural unemployed youth and women in several trades, which includes food processing, soft toys production, ready-made garments, candle making, incense stick making, two-wheeler repairing and servicing and vermicomposting (Sharma and Kumar, 2014).

National Small Industries Corporation (NSIC):- NSIC was recognized in 1955 with a dream to encourage aid and foster the growth of small industries in the country. NSIC stresses on the commercial aspects of these functions.

- Export the products of small industries and develop export-worthiness.
- Supply indigenous and imported machines on easy hire-purchase terms.
- Procure, supply and allocate indigenous and imported raw materials.
- Creating awareness on technological up gradation.
- Developing software technology parks and technology transfer centers (Sharma and Kumar, 2014).

Small Industries Development Bank of India (SIDBI):-

- Set up as an apex bank to provide direct/indirect financial assistance under different schemes, to meet credit needs of small entrepreneurs or business associations.
- To manage the functions of other institutions in similar activities (Sharma and Kumar, 2014).

National Commission for Enterprises in the Unorganized Sector (NCEUS):- The NCEUS was established in September 2004, with the following objectives:

- To recommend measures considered necessary for improving the productivity of small enterprises in the informal sector.
- To improve the competitiveness of MSME sector in the rising global environment.
- To create more employment opportunities on a sustainable basis, for the most part in the rural areas.
- To develop linkages of the sector with other institutions in the areas of credit, raw materials, infrastructure, technology up gradation, marketing, and formulation of suitable arrangements for skill development (Sharma and Kumar, 2014).

Rural and Women Entrepreneurship Development (RWED):- RWED programme aims at promoting an appropriate business environment and to encourage and support the entrepreneurial initiatives of rural people and especially women. RWE provides the following services:

- Creating a business environment that encourages initiatives of rural and women entrepreneurs.
- Providing training manuals for women entrepreneurs and training them.
- Rendering any other advisory services (Sharma and Kumar, 2014).

1.7 Objectives of the Study

Precisely the study focuses on the following objectives:

1. To study the socio-economic and business status of entrepreneurs in Bathinda.
2. To study about the Sources of Fixed and Working Capital of the enterprises in Bathinda.
3. To examine the Finance related issues in the enterprises in Bathinda.

1.6 Rationale for the Study

It is expected that the study would make contributions to the area of MSMEs in Bathinda. The present study would contribute to the entrepreneurship in funding from different financing sources in Bathinda. The study is hypothesis based. And since the analysis is ordinary, practical and significant, it will contribute to defining the real picture of financing aspects of enterprises in the context of Bathinda. By keeping in view, the present study is an attempt to discuss different aspects of finance in MSMEs in Bathinda district of Punjab. The research may be valuable to all concerns particularly researchers and policy makers to understand real picture of financing aspects of MSMEs in Bathinda to make policies and studies for the district.

1.7 Chapter Plan

The present study divided into 5 chapters as:

First chapter contains the background of MSMEs in India, sources of finance and institutional support agencies for MSMEs in India. Objectives, significance and also the rationale for study are explained in the chapter.

Second chapter deals with the review of relevant literature related to the study, which helps to find out the research gap.

Third chapter deals with research methodology, which contains hypotheses to be tested, research methodology, study setting, population and sampling plan, selection of an area of the sample, pilot study, data collection procedure, data gathering plan, data analysis and limitations of the study.

Fourth chapter contains analysis and discussion of the collected data from the primary survey related to financing aspects in MSMEs in the Bathinda District.

Fifth chapter describes the summary and conclusions of the results of the whole study. This chapter also includes some possible suggestions for MSMEs to increase financing facilities and investment level in Bathinda.

CHAPTER 2

REVIEW OF LITERATURE

2.1 Introduction

The purpose of reviewing the literature is to study the overview of the literature published on the subject of the present study. Various studies have examined the different dimensions of entrepreneurship in India. This literature is helpful for the study to find out the idea of MSMEs' financing aspects in Bathinda district of Punjab, India.

Kumar et al., (2009) in the study titled "Micro, Small and Medium Enterprises (MSMEs) in India: challenges and issues in the current Scenario" focused on the fact that MSMEs play a significant role in the development of any economy. In India, MSMEs provide 90% of industrial units and 40% of value addition in the manufacturing sector. In these days, MSME sector has a significant role in terms of output, exports and also in employment. This industry provides 40% of gross industrial value addition and 50% of total manufacturing exports. Total 13.2 million units are working in the economy and they are producing 6000 items from basic to highly complicated goods. This sector is the second largest employment provider after agriculture; it is providing employment approximately 32 million people. This paper also describes the growth and development of MSME sector since the beginning of 1990's. This paper also presents the challenges for MSMEs, its marketing and also the license raj issue.

Gautam and Singh (2011) in the paper "Competitive Perception of Small Indian Manufacturers: A study of Punjab Units" investigated that MSME sector is facing hard competition from all large industries at the present time. These industries have to compete with large scale industries in terms of their commodities, price and distribution especially in the case of the textile industry. This paper also finds that leather product industries have to compete with others in the form of pricing and textile industries in the form of low cost of production. There is a need to extend the competitive advantages for the highly competitive market. In this globalised world, the

quality certification issue cannot be ignored national as well as international level for the attraction of the buyers. This paper gives us the suggestion for the small industries to form a cluster association for the competition with large industries. These industries should investigate the possibilities to form an association in the form of production, marketing and other fields to aware from the increasing competition in this sector.

Sahapathi and Khana (2011) in the paper “A brief study of the SWOT, Government role and Contribution in the development of the MSME’s of the Haryana region” described that the MSME sector of Haryana is fully competitive with the large scale industries. Any industry requires sufficient infrastructure to take the advantages of it. Infrastructure provides the framework for industries. Haryana government has given more supportive facilities to this sector. The industry can grow only when the existing infrastructure allows for this. This paper concludes that the infrastructure of Haryana has improved. This paper focuses on the different factors which are necessary for the development of this sector in Haryana. This paper stresses on the government role and its contribution and the future of this sector in Haryana state.

Gakhar and Kour (2012) in the paper titled “Issues and Innovations of HRM in MSMEs – A study of the developing states of India” examined that the MSMEs plays a major part of the development of the country like India which has more population and has also the biggest part of the young workforce. This sector is the base of entrepreneurs, which is motivated by someone’s creativity and innovation. MSME sector contributes approximately 8% of the country’s GDP, 45% of manufacturing output and 40% of exports of the country. This sector provides employment to millions of people but it has declined from some last years. This study explains that there are some reasons for the decline in the employment trends and these are; lack of Human resource management in these enterprises and labor problem. This study is fully based upon the analyses of the HRM scenario in this sector. This paper analyses the problem faced by this sector in HRM and its innovations in HRM. This paper is based on the empirical study of the developing states of the Northern India. This paper gives

results that it may help the other countries to improve the productivity of MSME sector by increasing the innovations of entrepreneurs in HRM.

Goyal et al., (2012) in their research paper “An Overview of Sickness in Micro, Small, and Medium Enterprises in India” analysed that government has offered various facilities and incentives under the industrial policy for the promotion of MSMEs. A large number of MSMEs units have faced a number of problems which turn the units as sick units. The number of sick units has increased in the 1999 and after that it has declined till 2010 but after that time, it has also increased in the year 2011. When sickness reaches the higher stage, it becomes difficult to bring the unit to normal stage. So there is need to find out the initial reasons of sickness and initiate its measures to solve this problem of the sickness of MSMEs.

Kumar et al., (2012) in the study “Financial Management in MSMEs in India” explained that MSMEs represents the performance of overall industrial sector of the economy. The motive of this paper is to describe the significance and performance of MSMEs in India. Liberalization of Indian economy has increased the opportunities for the progress of Indian industry. The main objective of this paper to analyses the finance policies for MSMEs. From this paper, we also find out that the government has started credit guarantee fund scheme for this sector for more credit facilities in India. This study also explains the importance of working capital management for the development of this sector.

Kumar and Singh (2012) in the study titled “Liberalization Impact on Indian Small Industries: An empirical study of Punjab” described the impact of liberalization on the MSME sector in Punjab. The main result of this paper is that liberalization has affected small scale industries and these industries are facing various challenges like a problem in marketing, more competition from large scale industries and customer management and also the shifting of labor and capital to large scale industries. This paper also explains that food products and beverages and leather and leather products believed that new opportunities have come up after liberalization. Some factors have also explained in this paper which has boosted this sector. The main problem of the MSME sector in Punjab is that there is a lack of policies related to

marketing and human resource management. These industries are not capable of attracting professionals because of their lack of finance. This suggests that the government of India should stress on policies for infrastructure and technology up gradation in MSME sector in Punjab. With this latest technology and modern management techniques will help to the development of this sector in Punjab.

Sajeevan (2012) in his paper as “Present Status of MSME Statistics” an attempt has been made to look into the statistical database in Micro, Small and Medium Enterprises. The first section discussed the conceptual issues on MSME sector followed by international standard of defining MSMEs. The paper makes an attempt to explain the various definitions used in differed data sets of MSME sector and the data collection process on the periodical census in MSME sector. The paper concludes with the latest data available from the fourth all India censuses on MSME sector.

Sarathy and Silambarasam (2012) in the study titled “Entrepreneurship in SME sector” examined that the nature and pattern of industry sector have been completely changed from post reforms. In this market determined economy, survival and growth of entrepreneur mean that continuous up gradation and creation of the competitiveness of MSMEs in this globalised world. This paper also suggests that efficient entrepreneurs should build up core capabilities for the improvement of their products, enter into new markets, sourcing new resources and upgrade their skills and innovation of new technology. Recently there are 350 clusters in Indian economy traditional as well as modern. Gujarat, Tamilnadu, Delhi and NCR region are the fast growing industrial sector. They have the highest growth with the help of favorable state policies, marketing facilities, and growth of both national and international market. Besides this small scale industries are not workable due to technical knowledge, changing the mood of the market, the inability of finance and market risks. This paper suggests that the government should support to small scale industries from all aspects like training, finance, education of entrepreneur and access to new technology.

Bose (2013) in the research paper named “Financing of Micro, Medium, and Small Scale Enterprises in India Key Challenges” has discussed the role of capital, sources of financing and concerns involved in providing finance to MSMEs. The MSMEs which fall in the unorganized sector continue to take credit heavily from the informal financial sector. The delayed payment by the purchasers from larger enterprises has always been an issue of great concern for the MSMEs. The other problems that lenders find in dealing with MSMEs are a lack of transparency and reliability of data, lack of financial discipline and inability to provide a sound financial record.

Singh et al., (2013) in the article entitled “Technology Innovation Issues Affecting Small Firms Performance” explained that MSMEs play a very important role in the economic growth and for employment generation in the developing countries. This sector is not only the essential part of economic growth but also helps in the industrialization of the rural and backward sector, solution for regional variations and also for the equitable distribution of income and wealth of the Indian economy. This sector contributes 8% of GDP, 45% of industrial output and 40% of exports of the country. This paper also explains that from the beginning of this business it has always faced a shortage of capital. This paper suggests that organizations should take technological incentives to compete with the world market and to fulfill the needs of their customers. This study tells us that the government has taken some incentives like for the Development of Entrepreneurs, financial management, technological co-operation and empowerment of employees.

Deshpande and Sharma (2013) in his research paper “Entrepreneurship or Survival? Caste and Gender of Small Business in India” tried to explain the participation of dalits and other marginalized groups and women in the micro, small and medium enterprises sector based on an analysis of unit-level data from registered manufacturing sector of the micro, small and medium enterprises census data for 2001-02 and 2006-07. The share of SC and ST enterprises tend to be lesser, more rural than urban and have a greater share of owner-operated units. This paper also explains the interstate variation in the share of ST and SC businesses reveal that with

the exception of the tribal majority north-eastern states, SC and ST businesses are under-represented as compared to their share in state populations.

Srinivas (2013) in his study “A Study on New MSMEs Products and its Financing of Vijaya Bank” examined that the MSME sector is the engine of economic growth and for the promotion of the equitable development. In these days, the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. The Present study found that Vijaya bank is offering more than seven schemes to MSMEs sectors. The main two objectives of the study are to study the new products offered by the Vijaya bank to MSMEs sector to identify the financial assistance of the Vijaya bank to MSMEs. This shows that the bank offers many kinds of profit and support to the new entrepreneurs through the launch of new MSME products.

Srinivas (2013) in his study titled “A Study on Financial Assistance to Small and Medium Enterprises by KSFC” this research paper stresses on the financial assistance given by Karnataka State Financial Corporation. Karnataka State Finance Corporation is the very fast lending finance institution in the country. This institution has given assistance to over 1,66,726 units to near about Rs. 12,226.27 crore from the 54 years in the Karnataka state since its beginning up to 31-03-2013. This research paper concludes that KSFC has promoted 11,183 units from last eight years. KSFC gives suggestions to the enterprises which have taken financial assistance from KSFC at the initial stage of business and it also provides working capital loan to enterprises. Financial assistance of KSFC should be reached to semi-urban and rural segments also to attain balanced regional development. The main suggestion given by this paper is that KSFC should promote not only manufacturing but also the agro-based industry and banking sector.

Vashisht (2013) in his article named “A comparative study ease of doing the business of SME’s of Ludhiana and Rajkot” described the present state of Ludhiana in terms of business as it is measured as an industrial center of Punjab on different parameters of business. The second objective of this study is that to checking whether Gujarat is actually industry-friendly state or just a publicity created

by politics. The study also tried to find out that whether the MSME owners would like to shift their business from Ludhiana to Rajkot or Rajkot to Ludhiana. The main findings of this paper are that the business can be a shift from Ludhiana to Rajkot because there are more facilities provided to business owners by Government to Rajkot. The results of this paper show that there are some problems faced by MSMEs in Ludhiana, so business can shift from Ludhiana to Gujarat.

Biswas (2014) in his paper “Financing Constraints for MSME Sector” explained that MSMEs play an essential role in our country. At different times, Government and Reserve Bank of India have implemented a number of policies to improve the flow of credit to the MSME Sector. The banks provide lending or collateral free loans to the priority sector. We can say that MSMEs face several obstacles and hindrances in accessing finance from the banks and other financial institutions. Though a lot of efforts have already been made by the government to make the flow of credit easy to this sector but still a lot of work needs to be done to meet the actual finance requirements of the MSME sector in India.

Biswas (2014) in the study “Problems and Prospects of Small and Medium Enterprises in India” discussed that the government has introduced credit guarantee scheme (CGS) for MSMEs in India. SIDBI has played a crucial role in this regard. Banks have faced various problems when they granting their loans to MSMEs. Mostly these MSMEs work in the unorganized sector so that they do not create their proper balance sheets. Without the existence of proper balance sheet, banks do not allow to grant credit to MSMEs. One more problem that MSMEs face is the absence of collateral security for granting credit. The preceding experience of the banking sector with MSMEs because of the higher quantity of loans converted into NPAs. There is a vast hole between the demand for credit and supply of credit to this sector by banks and other financial institutions. It is very important for the government and RBI to provide the financial needs to MSME sector and help them being aggressive in the world economy.

Chandraiah and Vani (2014) in the research paper “The Prospects and Problems of MSMEs sector in India an Analytical study” described the important role of MSMEs in the industrial sector in India. MSMEs contribute India’s GDP and exports and also providing employment opportunities to millions of people. The government has started various defensive schemes for MSMEs since 1991 and these policies have increased competition in this sector. This paper explains also the role, performance of this sector, policies which are adopted by the government for MSMEs and problems faced by this business in the Indian economy.

Dey (2014) in the study entitled “MSME in India: Its Growth and Prospects” analyzed the importance of MSMEs in recent years in developed and also in developing countries. Besides, MSME sector can help appreciate the target of future National Manufacturing Policy of raising the share of manufacturing sector in GDP from 16% at present to 25% by the end of 2022. This paper focused on the present status of the performance of MSMEs in India. This paper has also concluded that MSMEs contribute to manufacturing output, employment, and exports of the country.

Ilahi (2014) in the article entitled “Institutional Non-Financial Support to MSME with Special Reference to Delhi” explained the non-financial support to MSMEs in Delhi provided by Enterprises is the main institution. The six types of non-financial support provided by the institutions which include Technology, Training, Marketing, Entrepreneurship Development, Common Facility Centre and Information & Consultancy. The four institutions MSME-DC, DI, MSME-DI and NSIC are providing facilities in all sectors in MSMEs. In this paper, some recommendations are also given and these are the process of providing facilities should be better and effective support system.

Katia (2014) in his article titled “MSMEs in India: growth and challenges” have focused on the growth of MSMEs of the country, employment provided by these industries and problems which are facing by them, and also explains the loan facilities provided by SIDBI. MSMEs are providing approximately 9% of GDP and employ millions of people. Despite facilities given by SIDBI MSMEs till facing problems like

lack of banking facilities, lack of advanced technology and lack of skilled labor. Most of these industries are unregistered; they have no awareness of government schemes. This paper also concludes that Government should take initiative for the registration of these MSMEs so that proper awareness and benefits should be given to them.

Kiss and Zagyi (2014) in the study “Principal Characteristics of the Indian Micro, Small, and Medium Enterprises (MSME) Sector and Its Importance in Rural Development” examined that MSMEs in rural sector have a significant role in the decline of the social differences in the third world economies. On the basis of the database this study tries to find out the answer for what kind of the result it found in terms of social integration of a deprived group of the society. This paper explains that we display the historical roots and background of the village business sphere’s legislative programme, and then we provide a thorough overview of the production and labor force positions of the enterprises taking part in the Khadi & Village Industries Program. At the end of this study, we submit the transcend importance from the economic force of village handicraft in terms of the stimulation of business sustainability.

Kushalakshi and Raghurama (2014) in the study titled “Bank Finance to Micro, Small, and Medium Enterprises” examined that MSMEs contribute in GDP, industrial production and in exports of the country. From last few years, credit has increased by banks to MSMEs. In spite of the increase in finance to the MSME sector, there is still a credit gap. Consequently, MSMEs should be treated as emerging sector at the same time as providing financial and non-financial aid. The paper suggests that the government should take essential steps to promote this business in the market with fair trade and exports. The government, banks and other financial institutions should promote this sector by providing policy support, efficient finance and also policies for poverty reduction, employment generation, financial inclusion and overall inclusive growth of the economy.

Laha (2014) in the study “Access to credit to Micro, Small and Medium Enterprises and its determinants in India: an Inter-state analysis” reviewed that the transformation of micro to small and small to medium enterprises have various implications for per unit value of employment, output and investment. In this process of transformation, access to credit is the most important obstacle in the improperly developed credit market in the country. This paper also discusses that the provision of this credit access to entrepreneurs will help in the transformation of micro to small and to medium enterprises and it will speed up the path of rural industrialization of the economy. For rural industrialization, there should be a linkage between MSMEs’ development and its access to credit. Small banks and microfinance institutions are the most important sources for credit access to this sector. In this study Multiple Regression has used on the basis of empirical studies suggests that ownership of enterprises and output of the enterprises with related characteristics, literacy rate and bank outreach of the state enhance the accessibility of finance to entrepreneurs of the states.

Munda and Swain (2014) in the research paper “Micro, Small and Medium Enterprises (MSME) in India; Financing by banks” focused on importance of MSMEs in India and it also explains the MSMEs’ story in India, MSMEs in Odisha, and weakness of large scale industries and role of commercial banks in MSMEs development in Odisha. The main suggestions of this paper have given that there is a need for making handloom, handicraft sector, weavers need further capacity building, the need of special training for weavers, development of handloom mark, the issue of photo identity cards, insurance of family members, etc.

Rani and Singh (2014) in their study named as “Role of Banking Sector in Industrial Development in Punjab” described the role of banking sector in the development of industries in Punjab. The various objectives of this research paper know about the District wise and bank wise deposit ratio, banking situation in Punjab, analyze the role of banking sector in MSMEs in Punjab and also to know about the bank-wise credit flow to MSMEs in Punjab. The results of this paper are that there is a positive and

important role of banks for industrial development of Punjab, at the national level Gujarat, Tamilnadu, Kerala and Rajasthan are foremost in various sectors.

Santra (2014) in his article titled “Small Scale Industry in the Darjeeling Hills: Problems and Prospects” analysed the importance of Small Scale Industries in the economy. This paper explains the problems of small scale industries (SSI) in the Darjeeling Hills. The data has been collected through a field survey from some specific block of Hills. This paper also discussed the initiatives taken by the government to make stronger the Small Scale Industries in the West Bengal state of India. This study also explains the implications of Small Scale Industries. This paper also explains suggestions for the development of this sector of the Indian economy.

Singh and Singh (2014) in the study named “Technology Development in MSMEs” explained that in terms of exports, output and employment MSMEs play an important role. Infrastructure technology has a real impact in MSMEs and in all aspects of the economy like businesses and enterprises. But there is a lack of technological infrastructure for MSMEs in India. There is a need to appreciate and review the needs of this business for their sustainable growth. Various steps should be taken to extend the state of technology in MSMEs for technological infrastructure.

Singh and Singh (2014) in his study “Problems Related to the Financing of Small Firms in India” observed that the MSMEs have strategic importance in the Indian economy due to its important contribution in terms of output, exports and employment. Finance is the key input of production, distribution & development. These small scale industries face many problems, while availing loan facility from commercial banks and Government agencies. Financial institutions ask for lots of information & data, state financial corporation takes several months to take a decision on extending term loans. Even when small loans can be raised from Government agencies the procedure is so burdensome that most of the entrepreneurs, who either are illiterate or semiliterate, hesitate to make use of these facilities.

Singh and Singh (2014) in the study entitled “Problems and Prospects of Small and Medium Enterprises in India” examined that MSMEs is a most important sector for

Indian economy for its fast development. This sector has faced various challenges and problems such as competition from the large scale industries, lack of subsidies for financial institutions, lack of infrastructure, and problem in product standardization. This paper presented four main problems that they face; lack of HRM, lack of systematic planning, lack of organizational culture and lack of market research. The main suggestions which have been given by this paper are that this sector should be well educated and should apply the latest development skills which are essential for its development at world level. If banks, financial institutions and the government will take initiatives for MSMEs it will reduce the problems of this sector and provide servicing to this sector, challenges will be solved out and economic growth will be increased from 8% to 10% for next decade.

Solanki (2014) in the study “Strategies to Counter the Financial Problems Faced by Manufacturing Sector in Punjab - an empirical study of micro, Small and medium Enterprises” started with the meaning of manufacturing industry, origin of the manufacturing industry, an overview of MSMEs in the manufacturing sector in India and trends of MSMEs which shows the importance and significance of MSMEs for Indian economy. This paper also explains the various twenty problems related to finance faced by MSMEs in India. The primary data has been collected from owners and board of directors of MSMEs in Punjab. The results of this paper suggest that the government can improve the access to finance by encouraging more bank facilities and other non-bank financial institution should enter the local market for their needs of finance. There are also some more measures like Factoring, venture capital and strategic investors should be taken by the government for making business more aggressive and fruitful.

Suneetha and Sankaraiah (2014) in the study named as “Problems of MSMEs and Entrepreneurs in Kadapa District” described the contribution of women enterprises in MSMEs in Kadapa district. Women have started establishing various industries, collaborate self and economic development. This paper describes finance problem which has been faced by women enterprises in Kadapa district in Andhra Pradesh. In this paper, a field survey has been done on 156 enterprises and from these 156 enterprises

103 of total 312 enterprises faced the financial problem. From these 156 enterprises, 103 enterprises 66.2% are facing the financial problem. It is suggested that financial problems are solved to improve entrepreneurship development of women.

Suranga and Rahman (2014) in the article titled “Punjab Small and Medium Enterprises: a Contemporary Corporate Vision” examined that the corporate vision is an important instrument for the MSME sector to grow and survive in this competitive environment. SMEs considered as stamina of the Punjab economy. This paper analyses that Micro, Small and Medium Enterprises how to describe their corporate vision and how they put into practice it. This paper exposed that the fully ownership of only individual personal fail to develop this corporate vision because of various reasons like due to lack of knowledge. Therefore partnership business firms have their own corporate vision but not in written statement. Hence, some private limited firms have their own corporate vision and these visions are so broad and too unclear. So it is not easy to fulfill their vision.

Dhale et al., (2015) in her research paper titled “Critical Analysis of Role Played by Financial Institutions in Development of Indian MSME’s” analysed that MSMEs are the main contributor to the economic growth of all countries in the world. MSMEs are providing employment opportunities about 10 million people in India. MSME is the second largest employment provider sector after agriculture in India. 90% of total industries in the economy are in Indian MSMEs. From this 90% about 45% contribute to industrial production, 40% to national exports and 17% of economy’s GDP. For long run industrial growth of MSMEs finance plays a critical role. Financial Institutions of India and Government have a very important role in the development and their promotion. This paper has stressed on the role played by financial institutions in the development of MSMEs all over the world. The present paper also discusses to assess opportunities and challenges in the MSMEs for increasing funds through financial organizations, which will be given better results.

Garg (2015) in the study “Assessment of Small and Medium Enterprises Growth in the Punjab State of India” explored that the improvement in the MSME sector can

diversify Punjab economy. Information and Communication Technology is the essential instrument for MSME sector in Punjab. Associations should invest in this sector of Information and Communication Technology for the improvement of production capacity of this sector. This sector generates employment and revenue, therefore, it cannot be ignored. The MSME sector can also relate with large scale industries on MNCs. This paper also suggests that different efforts are needed by the government for the improvement of MSME sector in infrastructure facilities like railway, roads, electricity and water supply.

Puneet et al., (2015) in the article entitled “Factors Influencing the Information Technology adoption in Micro, Small and Medium enterprises (MSMEs): an empirical Study” MSME sector is an important part of Indian economy. This sector contributes in manufacturing output, exports, employment, and investment and also in innovations. Micro, Small, and Medium Enterprises have contributed 17% GDP in 2011 and it has increased up to 22% in 2012. This sector has faced various challenges and problems because of this globalization. These few problems are inadequate knowledge, less availability of suitable technology, less effective marketing facilities, constraints on expansion and modernization and less availability of skilled workers. These problems can be solved out through IT, infrastructure and training for the development of workers. This paper explained the IT adoption in MSME sector in North India. On the basis of empirical study, this paper suggests that IT adoption is influenced by information exchange with customers, strong competition and also government policies.

Vashisht (2015) discussed the Awareness of the Micro, Small and Medium Enterprises' ratings in Ludhiana city of Punjab. This paper also has also explained the problem faced by MSMEs with respect to credit rating. This paper analyses that MSME sector provide a supply of products domestically, provide exports at international level, in terms of GDP and also in terms of employment. This paper results out that MSME sector has no awareness facilities about credit rating. Also, government has some few awareness schemes for this sector of business in Ludhiana.

2.2 Research Gap

From the literature review, it is inferred that various studies have been completed in the field of MSME sector in different dimensions, but few of these studies have taken the one or few dimensions of MSMEs. Based on the review of the literature, it can be said that none of the studies adopted an integrated approach to studying the financial aspects of MSMEs in the context of Punjab. It can also be said that it is difficult to find studies based on the primary data to get a real picture of financing issues of MSMEs in Punjab. One more aspect is that it is difficult to find any study on financing aspects of MSMEs in Bathinda district of Punjab state (India). Therefore, the need to study various dimensions of financing aspects of MSMEs in Bathinda district of Punjab state arises.

CHAPTER 3

RESEARCH METHODOLOGY

This chapter deals with the data collection and methodology which used in the present study for analyzing the financial aspects of MSMEs in Bathinda District of Punjab.

The present study is an attempt to bridge the gap by studying the various dimensions of financial aspects of MSMEs in Bathinda district integrated structure. The major dimensions of this study are enterprises started by themselves or not started by themselves, funding sources for MSMEs, satisfaction level of entrepreneurs in MSMEs, percentage of ownership, opinion of entrepreneurs about the modernization of the enterprises, opinion of entrepreneurs about borrowings from banks, entrepreneurs' opinion about sickness in firms, views of entrepreneurs about credit availed by firms, usefulness of financial sources, various finance problems faced by enterprises while crediting from banks, important reasons to start business, initial and present investment and sales by enterprises, purpose for availing credit, types of enterprises, type of credit availed by enterprises, associations from which entrepreneurs availing credit, period of repayment of credit, attitude of entrepreneurs about multiple credits availed by firms, qualification of entrepreneurs, reasons for not availed finance from banks, preferences of entrepreneurs for funding sources.

3.1 Hypotheses to be tested

The specific hypotheses to be tested, in order to attain above mentioned objectives, are shown below:

1. Entrepreneurs are using institutional finance for fixed capital in MSMEs in Bathinda.
2. Entrepreneurs are using institutional finance for working capital in MSMEs in Bathinda.
3. There is not any finance related issue in MSMEs in Bathinda.

3.2 Research Methodology

In the previous section, hypotheses to be tested are presented. Three research objectives, z- test, frequencies and percentage of variables that served to direct the data analysis. In addition, a review of relevant literature related to the study established a background of support for the study. Most of these variables have been studied extensively. The aim of this section is to explain the methodology used in this research effort. Included in the section is a description of the study setting, study sample and data collection methods, procedures and analysis efforts.

3.3 Study Setting

In its broadest conceptualization, this study addresses the financing aspects of MSMEs in Bathinda. The setting for this study, thus, consists of all MSMEs within ten settings. These ten settings are the types of industry in which enterprises doing business. The ten types of industries assumed in this study are; professional services, consumer services, guest services, manufacturing, transportation and public utilities, retail, wholesale, agricultural and agricultural-related, construction related and mining, extraction oil. These ten settings were chosen to provide a sample of all types of industries in MSMEs within a confined geographic area thereby facilitating the collection of data, while at the same time meeting the requirements of grouping differences of types of enterprises of MSMEs in Bathinda. These types all settings for MSME units are given in the table: 3.1.

Table 3.1: Types of MSME Units

Professional services	Manufacturing
Consumer services	Wholesale
Guest services	Agricultural and agricultural related
Transportation and Public Utilities	Construction related and Mining
Retail	Extraction oil

3.4 Population and Sampling Plan

All the enterprises of Bathinda district of Punjab (India) which falls in any of Micro, Small and Medium Enterprises' definition as defined in the 'Operating Definition of MSMEs' section constitute population for this study. Bathinda District has been

selected for field survey and from the whole district Bathinda city selected conveniently. Punjab State contributes Rs. 37126.69 crore in the investment in India's total investment in MSMEs. This part of the investment is less than some other states as such Gujarat, U.P., Tamil Nadu and Kerala etc. Main reasons of less investment are that Punjab is an agricultural state; most of the people are not interested in business. In the context of Punjab, Ludhiana is leading the industrial district and its investment in MSMEs is highest in the Punjab. In the case of Bathinda, investment in MSMEs is less than that of Ludhiana, Amritsar, Patiala and S.A.S. Nagar. For this study, Bathinda has selected for the data collection to know that why the investment in MSMEs in Bathinda is less than other districts in Punjab.

Purposive sampling has been taken for all settings because the list of unregistered MSMEs in Bathinda was not available. In total 150 entrepreneurs in MSMEs from Bathinda district representing the whole district were selected for data collection. Since the urban area in Bathinda district has most of the enterprises, therefore, MSMEs of the urban area is dominating in the sample.

Obtaining data from 150 entrepreneurs as described in the previous paragraph resulted in a good cross section of subjects in terms of variables. In addition, the normal variations in variables among at least 150 entrepreneurs enabled statistical comparisons for the study's hypotheses that provided the latest information about different dimensions of financing aspects of MSMEs in Bathinda.

3.5 Selection of Area for the Sample

In the Bathinda city, the sample size of enterprises was taken 150 to know about the entrepreneurs' business profile, socio-economic profile and also the financing aspects related to enterprises. For this purpose different areas of the Bathinda city such as Ajit Road, 100 Feet Road, Kotkapura Road, Mansa Road, Dhobi Bazar, Near Bus Stand market and Mehna Chowk, etc were the main areas to collect data for field survey.

3.6 Pilot Study

The pilot testing procedure was completed with 15 respondents from the enterprises as per convenience. After this procedure changes were made according to the requirement of the study.

3.7 Secondary Data

Besides that secondary data from authentic sources has been used in this study also. MSME annual reports and survey publications of Governments and its agencies have been used to supplement primary data.

3.8 Data Collection Procedure

In this study, a structured questionnaire was used for the collection of data concerning the objectives of the study, which is enclosed in Appendix-A.

3.9 Data Gathering Plan

A field survey was done to collect the data. A structured questionnaire that also asks subjects like their enterprise started by entrepreneur, gender, types of enterprises, qualification, problems faced by entrepreneurs in financing, financing sources used by entrepreneurs, investment in manufacturing, investment in services by enterprises, scope for modernization, sickness in the firms, etc. was delivered to respondents in each setting who had agreed to respond. Prior to their distribution conversation with entrepreneurs was made asking for their cooperation. Those agreed to cooperate and filling questionnaire were given the questionnaire for filling. The questionnaire also described the research and its importance and the support of the researcher. In the case of difficulty or doubt in interpreting the meaning of questionnaire they were assisted by the researcher in order to minimize response error.

3.7 Data Analysis

Different analyses have been made to achieve different objectives in order to solve the purpose of the study. First, in order to provide a description of the sample from which data will be collected, descriptive information on year of starting, enterprise gender, type of enterprise category of an entrepreneur, tendencies of problems in financing the enterprises face in the business like as have been described. Mean,

range and standard deviations for the variables have also been made. At last, to test the hypothesis for interval scale data z-test has been used and percentage has also been calculated for various variables.

A z-test is any statistical test for which the distribution of the test statistic under the null hypothesis can be approximated by a normal distribution. Statistical tests can be conveniently performed as approximate z-test if the sample size is large or the population variance known.

Formula for z-test:

$$Z = \frac{\text{Sample Mean} - \text{Population Mean}}{S.E.}$$

$$S.E. = \frac{\text{Standard Deviation}}{\text{square root of total sample of population}} = \frac{\sigma}{\sqrt{n}}$$

Where S.E. = Standard Error

Standard Error is the standard deviation of the sampling distribution of a statistic.

3.9 Limitations of the Study

There are following major limitations to the study:

First, the study is limited in terms of its generalizability to the total MSMEs in Bathinda because the sample under study may not represent the whole population. While the proposed study sample is quite different, the fact remains that certain segments of the MSMEs in Bathinda have not been included.

The second limitation of the study is that most of the enterprises are micro enterprises but the least are small or medium sized and also most of the enterprises are unregistered in the sample. So the data may be biased if the results cover only small or medium enterprises.

CHAPTER 4

ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter is an attempt to find out main aspects related to financing in MSMEs in the Bathinda district of Punjab. To find these financial aspects data is collected from various types of MSME units such as retail, wholesale, manufacturing, transportation, agriculture related, guest services, consumer services, and like. The present chapter explains firstly the socio-economic and business status of entrepreneurs, main reasons to start the enterprises, sources of finance used at the time of establishment i.e., for fixed capital, sources of working capital and different finance related issues in MSMEs in Bathinda District.

4.2 Socio-Economic and Business Status of the Entrepreneurs in Bathinda

In this part of the chapter, socio-economic status of the entrepreneurs has explained. In the part of this chapter we have discussed year of establishment of enterprises, the age of entrepreneurs, education level, investment and sales at the time of establishment and at present, qualification of the entrepreneurs, types of enterprises and like as. This part of the chapter will provide the base for the objectives of the study.

4.3 Year of Establishment

In the Bathinda district of Punjab, we have taken the data from 150 enterprises. It is seen from the table 4.1 that few of enterprises were established as early as in 1960 and also others established at a later date in 2015. Thus, the year of establishment of 150 sample enterprise falls in the time period of 1960 through 2015.

Table: 4.1; Year of Establishment

	N	Minimum	Maximum
Year of Establishment of Firm	150	1960	2015

Source; Field Survey

4.2.1 Age of the Entrepreneurs

From the Table: 4.2; it is seen that for 150 sample enterprises, minimum age of entrepreneurs is 22 years and maximum age is 65 year and mean age of entrepreneurs is 34 year.

Table: 4.2; Age of the Entrepreneurs

	N	Minimum	Maximum	Mean
Age of the Entrepreneurs	150	22	65	33.80

Source: Field Survey

From Table 4.3 it is observed that for 150 sampled enterprises, 96 percent male and 4 percent female owner of these observed enterprises. This proportion of male and female shows that more male is doing this business than female. This table explains the nature of enterprise that registered or not. From the table, it shows that 3.4 percent enterprises are registered and only 96.6 percent are unregistered. These tables show that most of the enterprises are unregistered in the Bathinda in the sampled enterprises. It is also observed from the table that 91 percent enterprises are sole proprietorship and 9 percent enterprises are a partnership. None of the enterprises are corporate companies or other associated societies in the Bathinda. From the table, it can be said that only two enterprises have invested in the manufacturing sector upto 25 lakhs. None of the enterprises have invested above 25 lakhs in manufacturing sector. From this data, we can conclude that in Bathinda only 2 enterprises have invested in manufacturing upto 25 lakh i.e., 100 percent enterprises in the manufacturing sector are micro enterprises in the collected data. None of the enterprises is small or medium scale enterprise. This table also shows that 88.7(133) percent enterprises have invested in services up to Rs. 10 lakhs, 11.3(15) percent enterprises have invested in services from Rs. 10 lakhs to Rs. 2 crores and none of the enterprises have invested in services from Rs. 2 crores to Rs.5 crores. This table shows that 88.7 percent enterprises are micro enterprises, 11.3 percent are small enterprises and none of the enterprises are medium enterprises in the surveyed data. It also explains that 80 percent entrepreneurs have started the enterprise by themselves and only 20 percent entrepreneurs have not

started their enterprises by themselves. From the table it is observed that 95.3 percent entrepreneurs do this business as the first entrepreneurial venture and 4.7 percent entrepreneurs not doing this business as the first business. From the table, it is seen that only 10 percent entrepreneurs have taken any supplemental training and 90 percent entrepreneurs have not taken any supplemental training related to business. It is observed that for 64.7 percent entrepreneurs' wants to modernize their enterprises and 35.3 percent entrepreneurs do not want to modernize their enterprises. From the table it is also observed that 13.3 percent entrepreneurs think that finance is the main obstacle of modernization, maximum entrepreneurs i.e. 35.3 percent entrepreneurs think that technology is the main obstacle of modernization, 10 percent entrepreneurs think that market conditions are the main obstacle of modernization and a few of entrepreneurs i.e. 1.3 entrepreneurs think that lack of skilled labor in their enterprises is the main obstacle of modernization in the enterprises. This table concludes that most of the entrepreneurs think that technology is the main obstacle of modernization in the business than the other obstacles like finance, market conditions and unskilled labors. From the table, it is observed that 29.3 percent entrepreneurs said that there is sickness in their firms and 70.7 percent entrepreneurs said that there is no sickness in their firms. It is seen that for 150 observed enterprises, 62.7 percent entrepreneur's wants to the expansion of their business, 6 percent entrepreneurs do not want to expand their business and 31.3 percent entrepreneurs have not decided about the expansion of their business. It is observed from the table that only 3.4 percent entrepreneurs are satisfied and 96.6 percent entrepreneurs are not satisfied from the above-mentioned finance agencies. This table explains that the most of the entrepreneurs are not satisfied from these finance agencies.

Table: 4.3 Socio- Economic and Business Status of Entrepreneurs

		Frequency	Percentage
Gender of entrepreneur	Male	144	96
	Female	6	4
Ownership of enterprise	Sole Proprietorship	136	91
	Partnership	14	9
Nature of enterprise	Registered	5	3
	Unregistered	145	97
Classification of enterprises based on investment limits in Manufacturing	Micro	2	100
	Small	0	0
	Medium	0	0
Classification of enterprises based on investment limits in Services	Micro	133	88.7
	Small	15	11.3
	Medium	0	0
Enterprise started by themselves	Yes	120	80
	No	30	20
First entrepreneurial venture	Yes	143	95
	No	7	5
Supplemental training	Yes	15	10
	No	135	90
Scope for modernisation	Yes	97	64.7
	No	53	35.3
Obstacles of modernization	Finance	20	13.3
	Technology	53	35.3
	Market conditions	24	16
	Labour	2	1.3
Sickness in the Business	Yes	44	29.3
	No	106	70.7
Reasons for sickness	Deficiency in management	1	0.7
	Working capital shortage	4	2.7
	Increased cost of production	3	2
	Government policies	12	8
	Inadequate market demand	25	16.7
Future plan for Expansion	Yes	94	62.7
	No	9	6
	Yet not decided	47	31.3
Satisfaction from various finance institutions	Yes	15	3.4
	No	145	96.6

Source: Field Survey

4.2.2 Qualification of Entrepreneurs

From the Table 4.5, it is observed that for 150 observed enterprises, 0.7 percent entrepreneurs are primarily educated, 2 percent entrepreneurs are secondary educated, 18 percent are high school educated, 46.6 percent are intermediate educated, and 29.7 percent are graduated at last only 4 percent are post graduate entrepreneurs. From this table, we can say that most of the entrepreneurs are educated up to intermediate. They are not well educated so that they have not enough knowledge about the funding associations. Education and awareness are the main obstacles in the way of financing from the funding agencies.

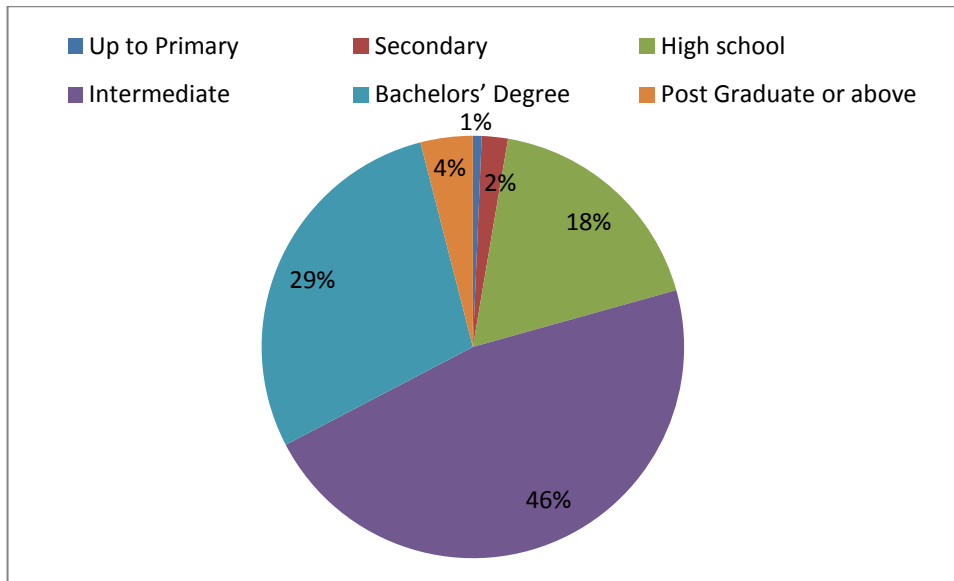
Table 4.5: Qualification of Entrepreneurs

		Frequency	Percent
Valid	Up to Primary	1	0.7
	Secondary	3	2
	High school	27	18
	Intermediate	70	46.6
	Bachelors' Degree	43	29.7
	Post Graduate or above	6	3
	Total	150	100

Source; Field Survey

From the Table 4.1, it is seen that 0.7 percent entrepreneurs are primary educated, 2 percent entrepreneurs are secondary educated, 18 percent are high school educated, 46.6 percent are intermediate educated, and 29.7 percent are graduated at last only 4 percent are post graduate entrepreneurs. From this table, we can say that most of the entrepreneurs are educated up to intermediate.

Figure 4.1: Qualification of Entrepreneurs



4.2.3 Previous work experience of entrepreneurs

From the Table: 4.6 it is seen that for 150 observed entrepreneurs, entrepreneurs' mean rating for previous work experience on the scale of 1 (In general, the enterprise has to no extent in previous work experience) to 5 (the enterprise has exactly the same previous work experience) is 2.10 with Std. Deviation of 1.613.

Table 4.6: Previous Work Experience of Entrepreneurs

Rating Scale:	N	Range	Minimum	Maximum	Mean	Std. Deviation
Previous work experience	150	4	1	5	2.10	1.613

Source; Field Survey

#Rating scale of 1 (entrepreneur has no extent in previous work experience) to 5 (entrepreneur has exactly the same previous work experience)

From the Table: 4.6.1 it may be seen that for 150 observed enterprises, entrepreneurs' z value, on the scale of 1 (In general, entrepreneur has no extent in previous work experience) to 5 (entrepreneur has exactly the same previous work experience) against the mid-rating value (i.e. 3) as Test Value, is -6.835 with d.f. (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis

that 'every entrepreneur has previous work experience' is 'Rejected' as the mean is 2.10 and the p-value (.000) is less than .01 at 99% Confidence Level.

Table 4.6.1: z-test for Previous Work Experience

	Test Value = 3					
	z	d.f.	Sig. (1-tailed)	Mean Difference	99% Confidence Interval of the Difference	
					Lower	Upper
Previous Work Experience	-6.835	149	.000	-.900	-1.24	-.56

4.2.5 Types of Enterprises

From the Table 4.7, it is observed that for 150 observed enterprises, only 1.3 percent firms are doing business in professional services, 20.7 percent in consumer services, 4 percent in guest services, 1.3 percent in manufacturing, 2.7 percent in transportation, 50 percent in retail, 12.7 percent in wholesale, 0.7 percent in agriculture related and 6.7 percent in construction related. This table explains that most of the firms are doing business in retail and least of firms doing business in agriculture-related industries.

Table 4.7: Types of Enterprises

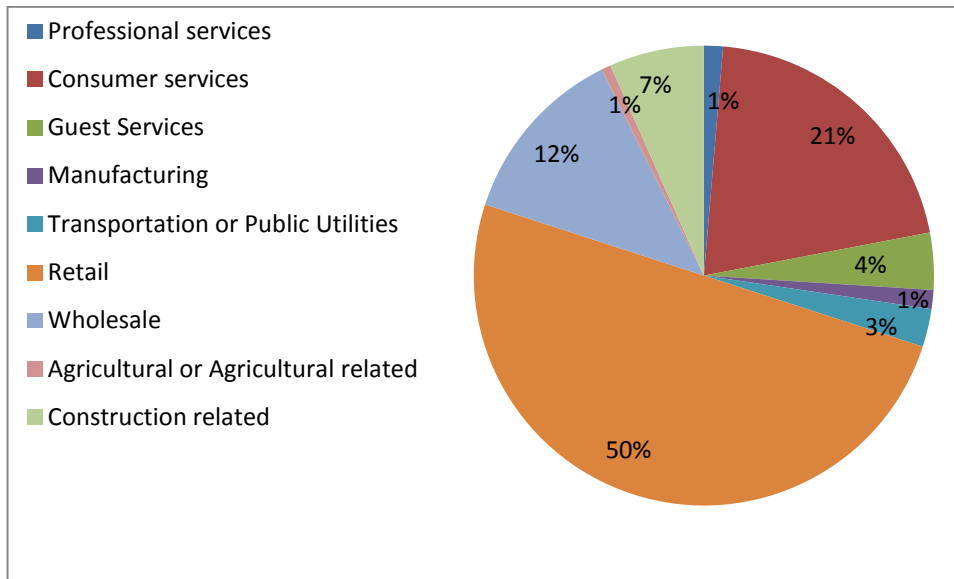
		Frequency	Percent
Valid	Professional services	2	1.3
	Consumer services	31	20.7
	Guest Services	6	4
	Manufacturing	2	1.3
	Transportation or Public Utilities	4	2.7
	Retail	75	50
	Wholesale	19	12.7
	Agricultural or Agricultural related	1	0.7
	Construction related	10	6.7
	Total	150	100

Source; Field Survey

From the Figure 4.2, it is observed that, only 1.3 percent firms are doing business in professional services, 20.7 percent in consumer services, 4 percent in guest services,

1.3 percent in manufacturing, 2.7 percent in transportation, 50 percent in retail, 12.7 percent in wholesale, 0.7 percent in agriculture related and 6.7 percent in construction related.

Figure 4.2: Types of Enterprises



4.2.6 Business situations of enterprises

From the Table: 4.8 it is seen that for 150 observed entrepreneurs, entrepreneurs' mean rating for the general economic outlook of firms on the scale of 1 (general economic outlook of firms substantially unimproved) to 5 (general economic outlook of firms substantially improved) is 4.59 with Std. Deviation of .715. Entrepreneurs' mean rating for firm' specific outlook with respect to sales and profits on the scale of 1 (Firm's specific outlook with respect to sales and profits of firms substantially unimproved) to 5 (Firm's specific outlook with respect to sales and profits substantially improved) is 4.32 with Std. Deviation of .972. Entrepreneurs' mean rating for firms own capital on the scale of 1 (Firm's own capital substantially unimproved) to 5 (Firm's own capital substantially improved) is 4.10 with Std. Deviation of 1.041.

Table 4.8: Business situations of Enterprises[#]

Rating scale:1 to 5	N	Range	Minimum	Maximum	Mean	Std. Deviation
General economic outlook of firms	150	3	2	5	4.59	.715
Firm's specific Outlook with respect to Sales and Profits	150	4	1	5	4.32	.972
Firm's own capital	150	4	1	5	4.10	1.041

Source; Field Survey

[#]Scale of 1(Business situations of Firms substantially unimproved) to 5(Business situations of Firms substantially improved)

From the Table: 4.8.1 it is observed that for 150 observed enterprises, entrepreneurs' 'z' value, on the scale of 1 (In general, general economic outlook of firms substantially unimproved) to 5 (general economic outlook of firms substantially improved) against the mid-rating value (i.e. 3) as Test Value, is 27.289 with df (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'general economic outlook of firms is unimproved' 'Rejected' as the mean is 4.59 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (In general, firm's specific outlook with respect to sales and profits of firms substantially unimproved) to 5 (firm's specific outlook with respect to sales and profits substantially improved) against the mid-rating value (i.e. 3) as Test Value, is 16.640 with df (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'firms' specific outlook with respect to sales & profits of firms is unimproved' 'Rejected' as the mean is 4.32 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (Firm's own capital substantially unimproved) to 5 (Firm's own capital substantially improved) against the mid-rating value (i.e. 3) as Test Value, 12.940 is with df (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'firms' own capital is unimproved' 'Rejected' as the mean is 4.10 and the p-value (.000) is less than .01 at 99% Confidence Level.

Table 4.8.1: z-test for Business Situations of Entrepreneurs in MSMEs

Variables	Test Value = 3					
	z	d.f.	Sig. (1-tailed)	Mean Difference	99% Confidence Interval of the Difference	
					Lower	Upper
Transformation of General Economic Outlook of Firms	27.289	149	.000	1.593	1.44	1.75
Transformation in Firm's specific Outlook with respect to Sales and Profits	16.640	149	.000	1.320	1.11	1.53
Transformation in Firms own capital	12.940	149	.000	1.100	.88	1.32

Source; Field Survey

4.2.7 Initial Investment by Firms

From Table 4.9; it is seen that for 150 observed enterprises, 95.3 percent enterprises have invested initially up to Rs. 10 lakhs, 4.7 percent enterprises from Rs. 10 lakhs to Rs. 2 crores and none of the enterprises have invested more than Rs. 2 crores. From this table, we can say that most of the enterprises invested in up to Rs. 10 lakhs, few of the enterprises invested from Rs. 10 lakhs to Rs 2 cores, none of the enterprise invested more than Rs. 2 crores at the starting time of the enterprises. This table clearly describes that most of the enterprises in the observed enterprises are micro enterprises, only 5 percent are small enterprises and none of the enterprises is medium enterprise at the time of establishment.

Table 4.9: Initial Investment by Enterprises

Initial Investment in Rs.		Percent
Valid	Up to Rs. 10 lakhs	95.3
	Rs. 10 lakhs to Rs. 2 crores	4.7
	More than Rs. 2 crores	-
	Total	100.0

Source; Field Survey

4.2.8 Present Investment by Firms

From Table 4.10; it is observed that for 150 observed enterprises, 88.7 percent enterprises have invested presently up to Rs. 10 lakhs, 11.3 percent enterprises from

Rs. 10 lakhs to Rs. 2 crores and none of the enterprises have invested presently more than Rs. 2 crores. Table 4.0 and 4.10 show that investments of enterprises have increased from their initial time to percent.

Table 4.10: Present Investment by Enterprises

Present Investment in Rs.		Percent
Valid	Up to Rs. 10 Lakhs	88.7
	Rs. 10 Lakhs to Rs. 2 crores	11.3
	More than Rs. 2 crores	-
	Total	100.0

Source: Field Survey

4.2.9 Important Reasons to Start the Enterprises in Bathinda

From the Table: 4.11 it is seen that for 150 observed entrepreneurs, entrepreneurs' mean rating for learning & personal growth of entrepreneurs on the scale of 1(learning & personal growth of person is not important to start the business) to 5(learning & personal growth of person is very important to start the business) is 2.83 with Std. Deviation of 1.756. Entrepreneurs' mean rating for own ideas of entrepreneurs on the scale of 1(person's own ideas are not important to start the business) to 5(person's own ideas are very important to start the business) is 1.27 with Std. Deviation of .609. Entrepreneurs' mean rating for money & wealth on the scale of 1(money & wealth are not important for a person to start the business) to 5(money & wealth are very important for a person to start the business) is 4.16 with Std. Deviation of 1.400. Entrepreneurs' mean rating for the opportunity to entrepreneurs to start a business on the scale of 1(opportunity for business is not important for a person to start the business) to 5(opportunity for business is very important for a person to start the business) is 3.45 with Std. Deviation of 1.552. Entrepreneurs' mean rating for career security on the scale of 1(career security is not important for a person to start the business) to 5(career security is very important for a person to start the business) is 4.93 with Std. Deviation of .473.

From the above explanation, we can say that personal achievement and career security were most important reasons to start the enterprises in Bathinda. Flexibility in

the family and persons own ideas were not important to start the enterprises. Status of entrepreneurs, economic necessity, money and wealth and opportunity for business were the important reasons to start a business.

Table 4.11: Important reasons to start Business[#]

Rating Scale: 1 to 5	N	Range	Minimum	Maximum	Mean	Std. Deviation
Entrepreneur achievement	150	4	1	5	4.92	.410
Status of entrepreneur	150	4	1	5	4.41	.928
Economic necessity	150	2	3	5	4.69	.491
Flexibility in work/family	150	4	1	5	1.98	1.348
Independence for entrepreneurs	150	4	1	5	3.05	1.969
Learning & personal growth	150	4	1	5	2.83	1.756
Person's own ideas	150	4	1	5	1.27	.609
Money & wealth for entrepreneurs	150	4	1	5	4.16	1.400
Opportunity for business for entrepreneurs	150	4	1	5	3.45	1.552
career security for entrepreneurs	150	4	1	5	4.93	.473

Source; Field Survey

[#]Scale of 1(Reasons to start business are not important to start the business) to 5(Reasons to start business are very important to start the business)

From the Table: 4.11.1 it is observed that for 150 observed enterprises, entrepreneurs' 'z' value, on the scale of 1(personal achievement of person is not important to start the business) to 5(personal achievement of person is very important to start the business) against the mid-rating value (i.e. 3) as Test Value, is 57.362 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'personal achievement of entrepreneurs was not important to start the business' 'Rejected' as the mean is 4.92 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(status of entrepreneur is not important to start the business) to 5(status of entrepreneur is very important to start the business) against the mid-rating value (i.e. 3) as Test Value, is 18.649 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'status of entrepreneurs was not important to start the business' 'Rejected' as the mean is 4.41 and the p-value (.000)

is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(economic necessity of entrepreneur is not important to start the business) to 5(economic necessity of entrepreneur is very important to start the business) against the mid-rating value (i.e. 3) as Test Value, is 42.255 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'economic necessity of entrepreneurs was not important to start the business' 'Rejected' as the mean is 4.69 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(flexibility in work/family was not important to start the business) to 5(flexibility in work/family was very important to start the business) against the mid-rating value (i.e. 3) as Test Value, is -9.264 with df of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'flexibility in work/family of entrepreneurs was not important to start the business' 'Rejected' as the mean is 1.98 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(independence for person is not important to start the business) to 5(independence for person is very important to start the business) against the mid-rating value (i.e. 3) as Test Value, is .332 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'independence for entrepreneurs was important to start the business' 'Failed to Reject' as the mean is 3.05 and the p-value (.375) is more than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(learning & personal growth are not important to start the business) to 5(learning & personal growth are very important to start the business) against the mid-rating value (i.e. 3) as Test Value, is -1.209 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'in general, learning and personal growth of entrepreneurs was important to start the business' 'Failed to Reject' as the mean is 2.83 and the p-value (.114) is more than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(person's own ideas are not important to start the business) to 5(person's own ideas are very important to start the business) against the mid-rating value (i.e. 3) as Test Value, is -34.836 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'own ideas of entrepreneurs were not important to start the business' 'Rejected' as the mean is 1.27 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z'

value, on the scale of 1(money & wealth are not important for person to start the business) to 5(money & wealth are very important for person to start the business) against the mid-rating value (i.e. 3) as Test Value, is 10.146 with d.f. of 149 and 99% Confidence Level.

Table 4.11.1: z-test for the important reasons to start Business

Variables	Test Value = 3					
	Z	d.f.	Sig. (1-tailed)	Mean Difference	99% Confidence Interval of the Difference	
					Lower	Upper
Personal Achievement	57.362	149	.000	1.920	1.83	2.01
Status of entrepreneur	18.649	149	.000	1.413	1.22	1.61
Economic Necessity of entrepreneur	42.255	149	.000	1.693	1.59	1.80
Flexibility in Work/Family for entrepreneur	-9.264	149	.000	-1.020	-1.31	-.73
Independence for Entrepreneurs	.332	149	.375	.053	-.37	.47
Learning & Personal Growth of the Persons	-1.209	149	.114	-.173	-.55	.20
Entrepreneurs own Ideas	-34.836	149	.000	-1.733	-1.86	-1.60
Money & Growth of Entrepreneurs	10.146	149	.000	1.160	.86	1.46
Opportunity for Entrepreneurs	3.524	149	.001	.447	.12	.78
Career Security of Entrepreneurs	50.062	149	.000	1.933	1.83	2.03

Source; Field Survey

Therefore, the null hypothesis that 'money & wealth of entrepreneurs was not important to start the business' 'Rejected' as the mean is 4.16 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(opportunity for business is not important for person to start the business) to 5(opportunity for business is very important for person to start the business) against the mid-rating value (i.e. 3) as Test Value, is 3.524with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'opportunity of business for

entrepreneurs was not important to start the business 'Rejected' as the mean is 3.45 and the p-value (.001) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(career security is not important for person to start the business) to 5(career security is very important for person to start the business) against the mid-rating value (i.e. 3) as Test Value, is 50.062 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'career security for entrepreneurs was not important to start the business' 'Rejected' as the mean is 4.93 and the p-value (.000) is less than .01 at 99% Confidence Level.

From this table, it is proved statistically that personal achievement and career security were most important reasons to start the enterprises in Bathinda. Independence and persons own ideas were not important to start the enterprises. Status of entrepreneurs, economic necessity, money and wealth and opportunity for business were the important reasons to start a business because the p-value of these variables is less than .01 so the null hypotheses that were selected for them are rejected.

4.2.10 Inspiration for Business

From the Table 4.12, it is seen that for 150 observed enterprises, 38.7 percent entrepreneurs inspired from the family business, 1.3 percent entrepreneurs inspired from friends and relatives who are doing the same business and 60 percent entrepreneurs are doing this business as their own ambition to do this business.

Table 4.12: Inspiration for Business

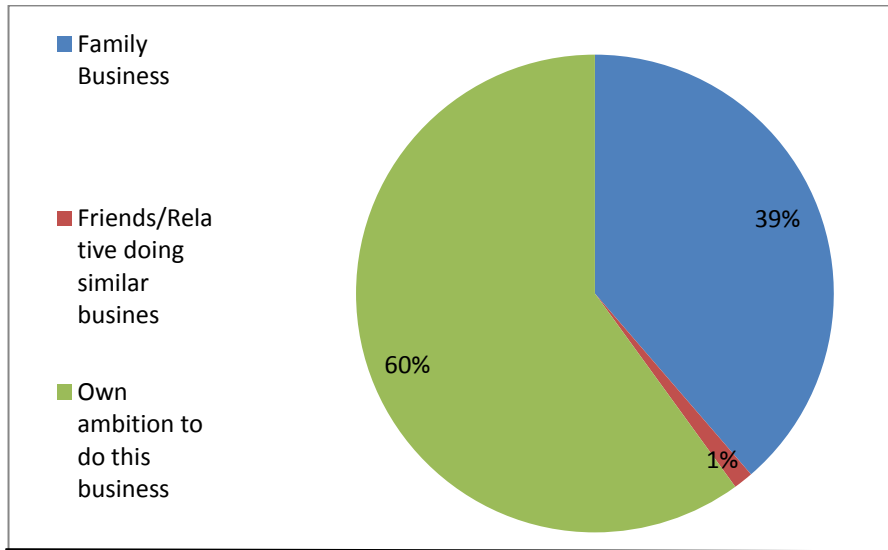
		Frequency	Percent
Valid	Family Business	58	38.7
	Friends/Relative doing similar business	2	1.3
	Own ambition to do this business	90	60.0
	Total	150	100.0

Source: Field Survey

From the Figure 4.3, it is observed that for 150 observed enterprises, 38.7 percent entrepreneurs inspired from family business, 1.3 percent entrepreneurs inspired from

friends and relatives who are doing the same business and 60 percent entrepreneurs are doing this business as their own ambition to do this business.

Figure 4.3: Inspiration for Business



4.3 Sources of finance of Fixed Capital of Enterprises in Bathinda

From the Table: 4.13 it is seen that for 150 observed entrepreneurs, Entrepreneurs' mean rating for usefulness of loan from mutual funds on the scale of 1(loan from mutual funds not useful at the time of establishment) to 5(loan from mutual funds extensively useful at the time of establishment) is 1.03 with Std. Deviation of .270. Entrepreneurs' mean rating for the usefulness of loan from relatives & friends on the scale of 1(loan from relatives and friends not useful at the time of establishment) to 5(loan from relatives & friends extensively useful at the time of establishment) is 1.03 with Std. Deviation of .258. Entrepreneurs' mean rating for the usefulness of loan from parent firms on the scale of 1(loan from parent firms not useful at the time of establishment) to 5(loan from parent firms extensively useful at the time of establishment) is 1.11 with Std. Deviation of .597. Entrepreneurs' mean rating for the usefulness of private loans on the scale of 1(private loans not useful at the time of establishment) to 5(private loans extensively useful at the time of establishment) is 1.01 with Std. Deviation of .164. Entrepreneurs' mean rating for the usefulness of self-finance for the firm on the scale of 1(self-finance not useful at the time of establishment) to 5(self-finance extensively useful at the time of establishment) is

1.02 with Std. Deviation of .182. Entrepreneurs' mean rating for the usefulness of corporate bonds on the scale of 1(corporate bonds not useful at the time of establishment) to 5(corporate bonds extensively useful at the time of establishment) is 2.99 with Std. Deviation of .1.992. Entrepreneurs' mean rating for the usefulness of loans from public banks on the scale of 1(term loans from public banks not useful at the time of establishment) to 5(term loans from public banks extensively useful at the time of establishment) is 1.03 with Std. Deviation of .162. Entrepreneurs' mean rating for the usefulness of private banks on the scale of 1(term loans from private banks not useful at the time of establishment) to 5(term loans from private banks extensively useful at the time of establishment) is 1.01 with Std. Deviation of .164. Entrepreneurs' mean rating for the usefulness of margin money from SIDBI on the scale of 1(margin money from SIDBI not useful at the time of establishment) to 5(margin money from SIDBI extensively useful at the time of establishment) is 1.09 with Std. Deviation of .491.

Table 4.13: Usefulness of financial sources for fixed capital in the Enterprises[#]

Rating Scale: 1 to 5	N	Range	Minimum	Maximum	Mean	Std. Deviation
Loan from mutual funds	150	3	1	4	1.03	.270
Loan from loan from relatives & friends	150	3	1	4	1.03	.258
Loan from loan from parent firms	150	4	1	5	1.11	.597
Private loans	149	2	1	3	1.01	.164
Self finance	150	2	1	3	1.02	.182
Corporate bonds	150	4	1	5	2.99	1.997
Term loans from private banks	150	1	1	2	1.03	.162
Term loans from public banks	150	4	1	5	3.21	1.981
Margin money from SIDBI	150	4	1	5	1.09	.491
Bill rediscounting for machinery from SIDBI	150	1	1	2	1.02	.140

Source; Field Survey

[#]Rating scale of 1(Source of finance is not useful at the time of establishment) to 5(Source of finance is extensively useful at the time of establishment)

Entrepreneurs' mean rating for the usefulness of bill rediscounting for machinery from SIDBI on the scale of 1(bill rediscounting for machinery from SIDBI not useful at the time of establishment) to 5(bill rediscounting for machinery from SIDBI extensively useful at the time of establishment) is 1.02 with Std. Deviation of .140.

From the Table: 4.13.1 it is observed that for 150 observed enterprises, Entrepreneurs' 'z' value, on the scale of 1(loan from mutual funds not useful at the time of establishment) to 5(loan from mutual funds extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as Test Value, is -89.328 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'loan from the mutual fund was useful at the time of establishment of firms' 'Rejected' as the mean is 1.03 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(loan from relatives & friends not useful at the time of establishment) to 5(loan from loan from relatives & friends extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as Test Value, is -93.792 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'loan from relatives & friends was not useful at the time of establishment of firms' 'Rejected' as the mean is 1.03 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(loan from parent firms not useful at the time of establishment) to 5(loan from loan from parent firms extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as Test Value, is -148.000 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'borrowings from parent firms was useful at the time of establishment of firms' 'Rejected' as the mean is 1.11 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(private loans not useful at the time of establishment) to 5(private loans extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as Test Value, is -148.000 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'private loans were useful at the time of establishment of firms' 'Rejected' as the mean is 1.11 and the p-value(.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(self finance not useful at the time of establishment) to 5(self finance extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as

Test Value, is -0.082 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'self-finance was useful at the time of establishment of firms' 'Failed to Rejected' as the mean is 1.02 and the p-value (.467) is more than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (corporate bonds not useful at the time of establishment) to 5 (corporate bonds extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as Test Value, is -149.513 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'corporate bonds were useful at the time of establishment of firms' 'Rejected' as the mean is 2.99 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (term loans from public banks not useful at the time of establishment) to 5 (term loans from public banks extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as Test Value, is 1.278 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'term loans from public banks were useful at the time of establishment of firms' 'Failed to Rejected' as the mean is 1.03 and the p-value (.101) is more than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (term loans from private banks not useful at the time of establishment) to 5 (term loans from private banks extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as Test Value, is -47.758 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'term loans from private banks were useful at the time of establishment of firms' 'Rejected' as the mean is 3.21 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (margin money from SIDBI not useful at the time of establishment) to 5 (margin money from SIDBI extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as Test Value, is -172.636 with d.f. (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'term loans from SIDBI were useful at the time of establishment of firms' 'Rejected' as the mean is 1.09 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (bill rediscounting for machinery from SIDBI not useful at the time of establishment) to 5 (bill rediscounting for machinery from SIDBI extensively useful at the time of establishment) against the mid-rating value (i.e. 3) as Test Value, is -

211.429 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'term loans from bill rediscounting for machinery from SIDBI were useful at the time of establishment of firms' 'Rejected' as the mean is 1.02 and the p-value (.000) is less than .01 at 99% Confidence Level.

Table 4.13.1: z-test for usefulness of financial sources for fixed capital in the enterprises

Variables	Test Value = 3					
	z	d.f.	Sig. (1-tailed)	Mean Difference	99% Confidence Interval of the Difference	
					Lower	Upper
Loan from Mutual Funds	-89.328	149	.000	-1.967	-2.02	-1.91
Loan from Relatives and Friends	-38.716	149	.000	-1.887	-2.01	-1.76
Loan from Parent Firms	-148.000	148	.000	-1.987	-2.02	-1.95
Private Loans	-133.180	149	.000	-1.980	-2.02	-1.94
Self finance	-.082	149	.467	-.013	-.44	.41
Corporate Bonds	-149.513	149	.000	-1.973	-2.01	-1.94
Term Loans from Public Banks	1.278	149	.101	.207	-.22	.63
Term Loans from Private Banks	-47.758	149	.000	-1.913	-2.02	-1.81
Margin Money from SIDBI/IDBI	-172.636	149	.000	-1.980	-2.01	-1.95
Bill Rediscounting for Machinery from SIDBI	-211.429	149	.000	-1.987	-2.01	-1.96

Source; Field Survey

From the table 4.13.1, it can conclude that all the hypothesis that those were settled up are rejected only two hypotheses that were settled up for the finance source public banks and self-finance are failed to reject, from this it can resulted out that entrepreneurs had only public bank financing and their self-finance for their need of fixed capital in the enterprises in the Bathinda.

4.4 Sources of Finance for Working Capital in MSMEs in Bathinda

In this part of the study, we will explain the finance sources which the enterprises used for the need of working capital in MSMEs in the Bathinda district of Punjab.

Sources of working capital for Enterprises

From the Table 4.14, it is observed that for 150 observed enterprises, 34.7 percent enterprises are borrowing from banks and 65.3 percent enterprises are not borrowing from banks, 100 percent enterprises are not borrowing from SFC, 8.7 percent enterprises are borrowing from Friends & Relatives and 91.3 percent enterprises are not borrowing from Friends & Relatives, 3.3 percent enterprises are borrowing from Money Lenders and 96.7 percent enterprises are not borrowing from Money Lenders, 100 percent enterprises are not borrowing from both Banks & SFC, 100 percent enterprises are not borrowing from Banks, Money Lenders & SFC and 100 percent enterprises are using their self finance in the business.

Table 4.14: Sources of working capital for Enterprises

Variables	Percentage	
	Yes	No
Borrowing from banks by Enterprises	34.7	65.3
Borrowing from Self Finance Corporation by Enterprises	0	100
Borrowing from Friends & Relatives by Enterprises	8.7	91.3
Borrowing from Money Lenders by Enterprises	3.3	96.7
Borrowing from Banks & SFC by Enterprises	0	100
Borrowing from Banks, Money Lenders & SFC	0	100
Self Finance used by Enterprises	100	0

Source; Field Survey

4.5 Problems faced by entrepreneurs in the Business.

The table 4.15 explains the problems that the entrepreneurs have faced in the business. Most entrepreneurs have faced the problems cost of production, the problem of skilled workers, the problem of competition from others, the problem of marketing, the problem in product branding and also the problem in finance. With the help of statistics, we have to check these problems in the next two tables.

From the Table: 4.15, it seen that for 150 observed entrepreneurs, entrepreneurs' mean rating for firm face the problem of cost of production on the scale of 1 (firm never face problem of cost of production in the business) to 5 (firm usually face problem of cost of production in the business) is 3.57 with Std. Deviation of 1.676. Entrepreneurs' mean rating for the firm face the problem of skilled workers on the

scale of 1 (firm never face the problem of skilled managers in the business) to 5 (firm usually face the problem of skilled managers in the business) is 1.79 with Std. Deviation of 1.543. Entrepreneurs' mean rating for the firm face the problem of competition on the scale of 1 (firms never face the problem of competition from other firms in the business) to 5 (firms usually face the problem of competition from firms in the business) is 3.87 with Std. Deviation of 1.692. Entrepreneurs' mean rating for the firm face the problem of marketing on the scale of 1 (firms never face problem in the marketing in the business) to 5 (firms usually face problem in marketing in the business) is 3.97 with Std. Deviation of 1.57. Entrepreneurs' mean rating for the firm face the problem of product branding on the scale of 1 (firms never face the problem of product branding in the business) to 5 (firms usually face the problem of product branding in the business) is 2.29 with Std. Deviation of 1.637. Entrepreneurs' mean rating for the firms face the problem of access to bank finance in the business on the scale of 1 (firms never face problem in access to bank finance in the business) to 5 (firms usually face problem in access to bank finance in the business) is 3.81 with Std. Deviation of 2.721.

Table: 4.15; Tendencies of Problems the Entrepreneurs face in the Business[#]

Rating Scale: 1 to 5	N	Range	Minimum	Maximum	Mean	Std. Deviation
Firm face problem of cost of production in the business	150	4	1	5	3.57	1.676
Firm face problem of skilled managers in the business	150	4	1	5	1.79	1.543
Firm face problem of competition from other firms in the business	150	4	1	5	3.87	1.692
Firm face problem of marketing in the business	150	4	1	5	3.97	1.597
Firm face problem of product branding in the business	150	4	1	5	2.29	1.637
Problem in access to bank finance in the business	150	4	1	5	3.81	1.649

Source; Field Survey

[#]Rating scale of 1(firms never face problem in finance) to 5(firms usually face problem in finance)

From the Table: 4.15.1, it is observed that for 150 observed enterprises, entrepreneurs' 'z' value, on the scale of 1 (firms never face problem of cost of production in the business) to 5 (firms usually face problem of cost of production in the business) against the mid-rating value (i.e. 3) as Test Value, is 4.189 with d.f. (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'none of the entrepreneurs have faced the problem of the cost of production in the business' is 'Reject' as the mean is 3.57 and the p-value (.000) is less than .01 at 99% Confidence Level.

Table 4.15.1: z- test for Tendencies of Problems the Firms face in the Business

Variables	Test Value = 3					
	z	d.f.	Sig. (1-tailed)	Mean Difference	99% Confidence Interval of the Difference	
					Lower	Upper
Problem of Cost of production faced by Firms	4.189	149	.000	.573	.22	.93
Skilled or Experience Manager are not available in the market	-9.580	149	.000	-1.207	-1.54	-.88
Competition from another Firms Facing in the Business	6.321	149	.000	.873	.51	1.23
Problem in Marketing facing by Firms in the Business	7.466	149	.000	.973	.63	1.31
Problem in Product Branding facing by Firms in the Business	-5.288	149	.000	-.707	-1.06	-.36
Problem in access to Bank Finance facing by Firms in the Business	5.990	149	.000	.807	.46	1.16

Source; Field Survey

Entrepreneurs' 'z' value, on the scale of 1 (firms never face the problem of skilled managers in the business) to 5 (firms usually face the problem of skilled managers in the business) against the mid-rating value (i.e. 3) as Test Value, is -9.580 with d.f. (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'none of the entrepreneurs have faced the problem of skilled workers in the

business' is 'Reject' as the mean is 1.79 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (firms never face the problem of competition from other firms in the business) to 5 (firms usually face the problem of competition from other firms in the business) against the mid-rating value (i.e. 3) as Test Value, is 6.321 with d.f. (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'in general, none of the entrepreneurs have faced the problem of competition in the business' is 'Reject' as the mean is 3.87 and the p-value (.000) is less than .01 at 99% Confidence Level.

Entrepreneurs' 'z' value, on the scale of 1 (firms never face problem of marketing in the business) to 5 (firms usually face problem of marketing in the business) against the mid-rating value (i.e. 3) as Test Value, is 7.466 with d.f. (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'in general, none of the entrepreneurs have faced the problem of marketing in the business' is 'Reject' as the mean is 3.97 and the p-value (.000) is less than .01 at 99% Confidence Level.

Entrepreneurs' 'z' value, on the scale of 1 (firms never face problem of product branding in the business) to 5 (firms usually face problem of product branding in the business) against the mid-rating value (i.e. 3) as Test Value, is -5.288 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'in general, none of the entrepreneurs have faced the problem of product branding in the business' is 'Reject' as the mean is 2.29 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (firms never face problem in access to bank finance in the business) to 5 (firms usually face problem in access to bank finance in the business) against the mid-rating value (i.e. 3) as Test Value, is 5.990 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'in general, none of the entrepreneurs have faced the problem in access to bank finance in the business' is 'Reject' as the mean is 3.81 and the p-value (.000) is less than .01 at 99% Confidence Level.

4.6 Finance related Issues of MSMEs in Bathinda

In this part of the present study, we will describe the main issues related to MSMEs in the Bathinda district of Punjab. This part will explain what type of sources the enterprises used, if they have not used any finance from the finance institutions we will

explain what are the reason behind this. Mean to say that why they have not used the institutional finance for the fulfillment of their finance needs.

4.6.1 Credit availed by Enterprises

From the Table 4.16, it is observed that for 150 observed enterprises, 36 percent firms have availed credit and 64 percent firms have not availed credit.

Table: 4.16; Credit availed by Enterprises

		Frequency	Percent
Valid	Yes	54	36
	No	96	64
Total		150	100

Source; Field Survey

4.6.2 Type of credit the enterprises availed

From the Table 4.17; it is observed that for 150 sampled enterprises, the firms which have availed credit, 34 percent firms have availed working capital loan and 2percent have availed term loan, only 36 percent firms have availed these types of credit and most of the entrepreneurs have not availed credit i.e., 64 percent entrepreneurs have not availed any type of credit in Bathinda.

Table 4.17: Type of credit the enterprises availed

		Frequency	Percent
Valid	Working capital loan	50	34
	Term loan	4	2
	Total	54	36
Missing	System	100	64
Total		150	100

Source; Field Survey

4.6.3 Association from the enterprises availed credit

From the Table 4.18; it is seen that for 150 observed enterprises, 32 percent firms have availed credit from public banks, 1.3 percent firms from private banks and only 0.7 percent availed from commercial banks. None of the firms has availed credit from

RRBs, SFC and also from government associations. This table shows that only 36 percent enterprises have availed credit and 64 percent have not availed credit.

Table: 4.18; Association from the enterprises availed credit

		Frequency	Percent
Valid	Public Banks	47	34
	Private Banks	2	1.3
	Commercial Banks	1	.7
	Total	50	36
Missing	System	100	64
Total		150	100.0

Source; Field Survey

4.6.5 Period of repayment of credit

From the Table 4.19; it is observed that 6.3 percent enterprises repaid the credit after six months, 0.7 percent firms repaid the credit every year, and repayment period of 29 percent firms is not fixed. Table shows that 64 percent have not availed any credit and only 36 percent entrepreneurs have availed credit.

Table 4.19: Period of repayment of credit

		Frequency	Percent
Valid	After six months	11	6.3
	Every year	1	0.7
	Not fixed	40	29
	Total	52	36
Missing	System	98	64
Total		150	100

Source; Sample Survey

4.6.6 Multiple credits Availed by Enterprises

From the Table 4.20; it is observed that for 150 observed enterprises, 0.7 percent firms have availed multiple credits and 99.3 percent firms have not availed multiple credits. This table explains that most of the enterprises have not availed multiple credits.

Table 4.20: Multiple Credits Availed by Enterprises

		Frequency	Percent
Valid	Yes	1	0.7
	No	149	99.3
	Total	150	100

Source; Field Survey

4.6.7 Purpose for Availing credit

From Table 4.21, it is seen that for 150 sampled enterprises, only 2 percent firms have availed credit for raw material, 7 percent firms have availed credit for more production, 16 percent firms have availed credit for up gradation of product, 6 percent firms have availed credit for modernization of firms and 4 percent firms have availed credit for machinery and equipment. This table explains that the most of the firms have availed credit for up gradation of the firms. It also shows that only 36 percent firms have availed credit and 64 percent firms have not availed credit.

Table 4.21: Purpose for Availing credit

		Percent
Valid	For raw material	2
	For more production	7
	Up gradation of product	16
	Modernization of firm	6
	For machinery and equipment	4
	Total	36
Missing	System	64
Total		100

Source; Field Survey

4.6.8 Preferences of entrepreneurs for finance sources

From the Table 4.22, it is observed that for 150 observed enterprises, 66.7 percent entrepreneurs prefer public banks than the other sources of financing i.e. entrepreneurs give first preference to banks for financing, only 3.3 percent entrepreneurs have given first preference to financing from money lenders and 96.6 percent entrepreneurs have not given first preference to financing from money

lenders, most of the entrepreneurs i.e. 39.3 percent entrepreneurs have given the 3rd and 37.3 percent entrepreneurs have given the 4th preference to friends/ relatives for financing, 52.7 percent entrepreneurs have given 2nd preference to financing from government and 0.7 percent entrepreneurs have given first preference for financing from private banks and 52 percent have given last preference to these sources of finance.

From this table we can conclude that, most of the entrepreneurs have given their first preference to public banks for financing and then after that they have given second preference to government and the next preference to friends & relatives, then after that they prefer to NBFC Hiring, Leasing, then they prefer to private money lenders then lastly they prefer to private banks than above other sources of financing.

Table 4.22: Preferences of entrepreneurs for finance sources

Variables	Preferences in the Terms of Percentage					
	last preferen ce	5th preferen ce	4th preferen ce	3rd preferen ce	2nd preferen ce	1st preferen ce
Preference of loan from public banks	0.7	1.3	31.3	66.7	100	100
Preference of loan from Money Lenders	46	47.3	3.3	3.3	0	0
Preference of loan from Friends and Relatives	0	1.3	39.3	37.3	14.7	7.3
Preference of loan from NBFC Hiring, Leasing	3.3	4	50.7	40	1.3	0.7
Preference of loan from Government	0	1.3	5.3	16.7	52.7	24
Preference of loan from Private Banks	52.	44.7	0.7	1.3	0.7	0.7

Source; Primary Survey

4.6.9 Finance problems faced by enterprises in Bathinda

In this part of the study, finance problems are discussed which were faced by entrepreneurs in the business for their day to day need i.e., for working capital need. Working capital covers all monthly charges.

From the Table: 4.23, it is seen that for 150 observed entrepreneurs, entrepreneurs' mean rating for shortage of working capital on the scale of 1(firms strongly disagree for the shortage of working capital in the firm) to 5(firms strongly agree for the shortage of working capital in the firm) is 3.22 with Std. Deviation of 1.554.

Entrepreneurs' mean rating for hostile attitude of government agencies on the scale of 1(firms strongly disagree for hostile attitude of government agencies in the firm) to 5(firms strongly agree for hostile attitude of government agencies in the firm) is 3.79 with Std. Deviation of 1.377. Entrepreneurs' mean rating for inadequate assistance from commercial banks on the scale of 1(firms strongly disagree for inadequate assistance from commercial banks to firms) to 5(firms strongly agree for inadequate assistance from commercial banks to firms) is 4.30 with Std. Deviation of 1.278.

Table 4.23: Finance Problems faced by Enterprises[#]

Rating Scale: 1 to 5	N	Range	Minimum	Maximum	Mean	Std. Deviation
Shortage for Fixed Capital in the Firms	150	4	1	5	3.22	1.554
Hostile attitude of government agencies in the firm	150	4	1	5	3.79	1.377
Inadequate assistance from commercial banks to firms	150	4	1	5	4.30	1.278

Source; Primary Survey

[#]Rating scale of 1(firms strongly disagree for problems faced by enterprises) to 5(firms strongly agree for problems faced by enterprises)

From the Table: 4.23.1, it is seen that for 150 observed enterprises, entrepreneurs' 'z' value, on the scale of 1(firms strongly disagree for hostile attitude of government agencies in the firm) to 5(firms strongly agree for hostile attitude of government agencies in the firm) against the mid-rating value (i.e. 3) as Test Value, 12.455 is with d.f.(degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'firms have not faced the problem of hostile attitude of government agencies' 'Rejected' as the mean is 3.79 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(firms strongly disagree for hostile attitude of government agencies in the firm) to 5(firms strongly agree for hostile attitude of government agencies in the firm) against the mid-rating value (i.e. 3) as Test Value, 12.455 is with d.f.(degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'firms have not faced the problem of hostile attitude of government agencies' 'Rejected' as the mean is 3.79 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value,

on the scale of 1(firms strongly disagree for inadequate assistance from commercial banks to firms) to 5(firms strongly agree for inadequate assistance from commercial banks to firms) against the mid-rating value (i.e. 3) as Test Value, is 17.721 with d.f.(degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'firms have not faced the problem of Inadequate Assistance from Commercial Banks to Firms' 'Rejected' as the mean is 4.30 and the p-value (.000) is less than .01 at 99% Confidence Level.

Table 4.23.1: z-test for finance problems faced by Enterprises

Variables	Test Value = 3					
	z	d.f.	Sig. (1-tailed)	Mean Difference	99% Confidence Interval of the Difference	
					Lower	Upper
Shortage for Fixed Capital in the Firms	7.055	149	.000	.793	.50	1.09
Hostile Attitude of Government Agencies	12.455	149	.000	1.300	1.03	1.57
Inadequate Assistance from Commercial Banks to Firms	17.721	149	.000	1.533	1.31	1.76

Source; Field Survey

Table 4.23.1 shows that all p-values of variables are less than .01 so the null hypotheses rejected, it can be said that entrepreneurs have faced all these finance problems in the business in Bathinda district of Punjab.

4.6.10 Credit used by enterprises

From the Table: 4.24 it is observed that for 150 sampled entrepreneurs, entrepreneurs' mean rating for trade credit on the scale of 1(trade credit never used by firms) to 5(trade credit extensively used by firms) is 1.08 with Std. Deviation of .562. Entrepreneurs' mean rating for term loan on the scale of 1(term loan never used by firms) to 5(term loan extensively used by firms) is 1.08 with Std. Deviation of .562. Entrepreneurs' mean rating for other finance sources on the scale of 1(firms never used other sources of finance (Private Money Lenders, Friends/Relatives, Leasing

etc) to 5(firms used another financing (Private Money Lenders, Friends/Relatives, Leasing etc extensively used by firms)) is 1.21 with Std. Deviation of .879.

Table 4.24: Credit used by Enterprises[#]

Rating Scale: 1 to 5	N	Range	Minimum	Maximum	Mean	Std. Deviation
Bank working capital availed by firms in the business	150	4	1	5	2.39	1.910
Firms availed trade credit	150	4	1	5	1.08	.562
Firms availed term loan extensively)	150	4	1	5	1.08	.562
Availed finance from Other sources of finance (Private Money Lenders, Friends/Relatives, Leasing etc))	150	4	1	5	1.21	.879

Source; Field Survey

[#]Rating scale of 1(firms never have availability of finance sources) to 5(firms have availability of finance sources)

From the Table: 4.24.1 it is observed that for 150 sampled enterprises, entrepreneurs' 'z' value, on the scale of 1 (bank working capital never availed by firms) to 5 (bank working capital extensively availed by firms in the business) against the mid-rating value (i.e. 3) as Test Value, is -3.933 with d.f. (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'in entrepreneurs have not availed bank working capitals' is 'Rejected' as the mean is 2.39 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (trade credit never used by firms) to 5 (firms extensively used trade credit) against the mid-rating value (i.e. 3) as Test Value, is -41.851 with d.f. (degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'every entrepreneur has availed trade credit' is 'Rejected' as the mean is 1.08 and the p-value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1(firms never availed Term Loan) to 5(firms extensively availed term loan) against the mid-rating value (i.e. 3) as Test Value, is -41.851 with d.f.(degree of freedom) of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'every entrepreneur has availed term credit' is 'Rejected' as the mean is 1.08 and the p

Table 4.24.1: z-test for credit used by Enterprise

Variables	Test Value = 3					
	z	d.f.	Sig. (1-tailed)	Mean Difference	99% Confidence Interval of the Difference	
					Lower	Upper
Bank Working Capital availed by Firms	-3.933	149	.000	-.613	-1.02	-.21
Trade Credit availed by Firms	-41.851	149	.000	-1.920	-2.04	-1.80
Term Loan availed by Firms	-41.851	149	.000	-1.920	-2.04	-1.80
Other sources of finance (Private Money Lenders, Friends/Relatives, Leasing etc) availed by Firms	-24.889	149	.000	-1.787	-1.97	-1.60

Source; Field Survey

value (.000) is less than .01 at 99% Confidence Level. Entrepreneurs' 'z' value, on the scale of 1 (Firms have never availed credit from another financing (Private Money Lenders, Friends/Relatives, Leasing etc)) to 5(firms have extensively availed from other sources of finance (Private Money Lenders, Friends/Relatives, Leasing etc)) against the mid-rating value (i.e. 3) as Test Value, is -24.889 with d.f. of 149 and 99% Confidence Level. Therefore, the null hypothesis that 'entrepreneur has not availed credit from another financing (Private Money Lenders, Friends/Relatives, Leasing etc)' is 'Rejected' as the mean is 1.21 and the p-value (.000) is less than .01 at 99% Confidence Level.

4.6.11 Amount of Finance obtained by Enterprises from different agencies

From the Table 4.25; it is observed that for 150 observed enterprises, 68.7 percent entrepreneurs have no requirement of finance from other sources, 25.3 percent entrepreneurs have requirement of finance from other sources up to Rs. 25 lakhs, only 2 percent entrepreneurs have requirement of finance from other sources from Rs. 25 lakhs to Rs. 1 crore and 4 percent entrepreneurs have requirement of finance from other sources from Rs. 1 crore to Rs. 5 crores. This table concludes that

maximum entrepreneurs have no requirement of finance from other sources of finance rather than self-finance.

Table 4.25: Amount of Finance obtained by Enterprises

		Frequency	Percent
Valid	No loan is required by the firm	103	68.7
	Loan requirement is smaller than Rs. 25 lakhs	38	25.3
	Loan requirement is over Rs. 25 lakhs to Rs. 1 crore	3	2
	Loan requirement is over Rs. 1 crore to Rs.5 crores	6	4
	Total	150	100

Source; Field Survey

4.6.12 Reasons for not availing finance from Banks

From the Table 4.26, it is observed that for 150 observed enterprises, 29.3 percent enterprises have not availed credit from banks because of their lengthy, complex and inflexible paperwork, 2 percent enterprises have not availed credit from banks because banks take months to provide finance, 8.7 percent enterprises have not availed credit from banks because banks provide insufficient funding, 24 percent enterprises have not availed credit from banks because they do not want to take any loan from banks. 64 percent have not availed credit from banks for above different reasons and only 36 percent enterprises have availed credit from banks.

Table 4.26: Reasons for not availing finance from Banks

		Frequency	Percent
Valid	Did not apply to banks because of their lengthy, complex and inflexible paperwork	44	29.3
	Did not apply because banks take months to provide finance	3	2
	Did not apply because banks provide insufficient funding	13	8.7
	Do not want to take any loan from banks	36	24
	Total	96	64
Missing	System	54	36
Total		150	100

Source; Field Survey

4.6.13 Reasons for not applying Institutional Finance by Entrepreneurs

From the Table 4.27; it is observed that for 150 samples enterprises, 54 percent entrepreneurs did not know the system of financial institutions so they did not get these funds, 11 percent entrepreneurs knew the system but they think that the required documentation is too complicated, 2 percent entrepreneurs knew the system but they think that the interest rate on these funds is too high, 7 percent entrepreneurs knew the system they think that they have less sufficient collateral, 4.7 percent entrepreneurs knew the system but they think that the timing to get these funds were inappropriate and 21.3 percent entrepreneurs did not need to use these funds. This table concludes that most of the enterprises did not use public funds because they did not know about the system of these funds.

Table 4.27: Reasons for not applying Institutional Finance by Entrepreneurs

		Percent
Valid	Didn't know the system	54
	Knew the system but the required documentation was too complicated	11
	Knew the system but the interest rate was too high	2
	Knew the system , but lacked sufficient collateral	7
	Knew the system, but the timing was inappropriate	4.7
	Didn't need to use these	21.3
	Total	100

Source; Field Survey

CHAPTER 5

SUMMARY AND CONCLUSION

5.1 Summary

As we know that Industry sector is the backbone of any economy. In Indian Economy Micro, Small and Medium industries play a dominant role in the total industrial production. MSMEs' contribution 45% in Industrial production, 40% of national exports, and 17% of GDP proved that MSMEs is the base of Indian Economy. MSME sector faces various problems in business. These problems are the obstacles in the way of development of MSME sector. The problem in marketing, the problem in skilled labour, the problem inadequate access to finance at exact time is the main problems that these small scale industries face. This entire study focuses on the finance problem that this sector faces in the business in the Bathinda district of Punjab state of India. In Bathinda district investment of MSME sector is less than some other districts like Ludhiana, Amritsar, Patiala and Jalandhar. In this study, we observed that finance problem in MSMEs is the one aspect responsible for less development of MSMEs in Bathinda district.

The study covers the different aspects related to financing in MSMEs. The present study explores the main reasons to start enterprises, which type of sources the enterprises used for fixed capital, which type of sources the enterprises used for working capital, the managerial problem faced by entrepreneurs and also the finance problems faced by enterprises in MSMEs in Bathinda.

For the attainment of above objectives, the study comprehensively relies on primary survey along with secondary sources. The primary data is collected from various types of enterprises in Bathinda city on the basis of the purposive sampling technique. The sources, namely MSME annual reports, reports on Bathinda Industrial Profile, Punjab Industrial Profile are used for the investment comparison of states as well as a different district in Punjab. To find out the finance problems in MSMEs in Bathinda district is the main issue of the present study.

5.2 Major Findings

The following are the important major findings of the present research work concerning the financial issues of MSMEs in the Bathinda district of Punjab.

From the field survey, we observed that at the time of establishment of their business most of the entrepreneurs have used the self-finance another borrow from friends and relatives or from the money lenders. They have not used other financial sources like mutual funds, venture capital funds, corporate bonds, loan from public or private banks, borrow from SIDBI.

It is observed that 34.7 percent enterprises are borrowing from banks and 65.3 percent enterprises are not borrowing from banks, 100 percent enterprises are not borrowing from SFC, 8.7 percent enterprises are borrowing from Friends & Relatives and 91.3 percent enterprises are not borrowing from Friends & Relatives , 3.3 percent enterprises are borrowing from Money Lenders and 96.7 percent enterprises are not borrowing from Money Lenders, 100 percent enterprises are not borrowing from both Banks & SFC, 100 percent enterprises are not borrowing from Banks, Money Lenders & SFC and 100 percent enterprises are using their self-finance for their needs of working capital.

At the present scenario of Bathinda district, most of the enterprises have not availed any credit to fulfil their needs of finance for business. For their working capital, 34 percent enterprises are borrowing from banks, 8.7 percent enterprises are borrowing from Friends and Relatives, 3.3 percent enterprises are borrowing from Money Lenders, Money Lenders and 100 percent enterprises are using their self-finance in the business.

In the field survey we observed that in the Bathinda, only 36 percent enterprises have availed credit. The firms which have availed credit, 30.7 percent firms have availed working capital loan and 2.7 percent have availed term loan. From the total enterprises, 31.3 percent firms have availed credit from public banks, 1.3 percent firms from private banks and only 0.7 percent availed from commercial banks. None

of the firms has availed credit from RRBs, SFC and also from government associations.

From 100 percent enterprises, 29.3 percent enterprises have not availed credit from banks because of their lengthy, complex and inflexible paperwork, 2 percent enterprises have not availed credit from banks because banks take months to provide finance, 8.7 percent enterprises have not availed credit from banks because banks provide insufficient funding, 24 percent enterprises have not availed credit from banks because they do not want to take any loan from banks. 64 percent have not availed credit from banks for above different reasons and only 36 percent enterprises have availed credit from banks. Only 36 percent entrepreneurs are satisfied and 64 percent entrepreneurs are not satisfied from the above-mentioned finance agencies. Most of the entrepreneurs are not satisfied from these finance agencies.

Major problems in finance that these enterprises facing in the Bathinda are, lack of efficient fixed capital, working capital, hostile attitude of finance agencies, lack of collateral requirements, high rate of interest on loans by private banks, complex paperwork using by banks while taking credit from banks, complicated documentation by banks, inadequate and timely finance to them. These are the major issue faced by enterprises in Bathinda. This can be the reason of less investment in this District of Punjab.

From 100 percent, 54 percent entrepreneurs did not know the system of these public funds so they did not get these funds, 11 percent entrepreneurs knew the system but they think that the required documentation is too complicated, 2 percent entrepreneurs knew the system but they think that the interest rate on these funds is too high, 7 percent entrepreneurs knew the system they think that they have less sufficient collateral, 4.7 percent entrepreneurs knew the system but they think that the timing to get these funds were inappropriate and 21.3 percent entrepreneurs did not need to use these funds.

5.4 Implications

1. As we know most of the entrepreneurs have not taken credit from any finance institution, it clearly implies that the financial background of the entrepreneurs may be well. So they may not have been the need of finance from any financial institution.
2. These enterprises have not used the institutional finance for their business needs, they may have no knowledge about these institutions and schemes launched by them in Bathinda.
3. From the given results, it is clear that entrepreneurs have not used bank credit, it implies that it may be happening because of complex, lengthy and inflexible paperwork. It may also happen that banks take months to give credit to entrepreneurs.
4. From these results, we can conclude that the main reasons for less investment in MSMEs of Bathinda district are that there are several finance problems related to business. The people of this district may not be aware of the finance institutions which provide finance to this sector. They have not used finance from any public funds, mutual funds or any other finance from SIDBI. The entrepreneurs are not well educated if they know about these finance sources they don't want to use finance from them because it may happen that they don't want any risk in business. Some of the entrepreneurs have taken credit. If they availed credit, they availed credit only from public banks or money lenders or relatives and friends.
5. From the results, it is found out that most of the enterprises are micro or small. Their investment is very low, so they can't try to get finance from the above financial institutions. The second reason may be that they have no collateral as the agencies required for funding; the third reason is that the entrepreneurs may not be aware of these financial institutions and fourth reason is, the complex documentation and processing of funding agencies for funding to enterprises.
6. MSMEs face a number of problems while availing loan facility from commercial banks as well as Government agencies. These financial institutions ask for a lot of

information and data, SFC takes quite a lot of months to take a decision on extending term loans small scale sector is not in a situation to recommend guarantee required by the banking sector. Even when small loans can be raised from Government associations the process is so burdensome that for the most part of the entrepreneurs, who either are illiterate or semiliterate, hesitate to make use of these services.

When these enterprises have been offered to external finance, they will be charged with high rates of interest as these small-scale enterprises provided to be riskier and more likely to fail than large industries. The lack of financial resources hinders many MSMEs from initiating or – even worse - completing their innovative ideas. MSMEs had abounded innovation activities. They have troubles to acquire loans because financial institutions are often hesitant to (co-)finance risky innovation projects. One more financial restriction refers to the difficulty of receiving access to public funding for inventive ideas and bureaucratic application process associated with them. Further, it can be said that innovation projects must be delayed due to regulatory reasons until the application has been approved.

5.3 Policy Suggestions

Firstly, awareness programs should be implemented, which should encourage to enterprises about different credit schemes. Ease of doing business, ease of registration process of MSMEs and Credit Guarantee Fund Scheme are the main schemes for MSMEs. In the Bathinda, people are not aware of the Credit Guarantee Fund Scheme. Awareness of Credit Guarantee fund Scheme should be provided to entrepreneurs for their needs of finance at fewer interest rates and without any collateral requirement.

Second, simplicity in the documentation system of banks, easy availability of credit should be provided to entrepreneurs by finance agencies. Knowledge should be provided about the public funds. These funds can be helpful for the efficient needs of finance of enterprises.

Third, to encourage the enterprises, subsidies should be provided by government or other financial institutions for the fulfillment of their needs of finance. With this effort these enterprises will do more investment and the development of the MSME sector will be increased.

Fourth, schemes should be set-up for unregistered enterprises because the contribution of the unregistered sector is more than registered sector. This will increase the development of MSME sector and also the investment.

Fifth, the financial institutions should provide finance to enterprises in as short time. Finance institutions take months to provide finance to entrepreneurs, so they don't like to borrow from them. For the fulfillment of the financial needs of the enterprises, financing institutions should provide finance at the short time.

From the study we can conclude that the various financial issues exist in the MSMEs in Bathinda district of Punjab, which is explained in the previous pages, are the great barriers in the way of investment. These are the main problems that down the investment level of MSMEs in the Bathinda district than some other districts of Punjab.

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APPENDIX - A

Interview Schedule for MSMEs

A Study on the Financial Aspects of Micro, Small and Medium Enterprises in Bathinda District of Punjab, India

Socio-Economic Profile of Entrepreneurs

- (1). What is your name? _____ (2). What is the name of your firm? _____
- (3). What year was this enterprise started? _____ (4). Did you start this enterprise? Yes _____ No _____
- (5). Your age? _____ Years (6). Your sex? Male _____ Female _____
- (7). Is this your first 'entrepreneurial venture'? (8). Type of the enterprise you own?
Yes _____ No _____ 1. Sole Proprietorship 2. Partnership
- (9). Indicate your highest education level: Illiterate _____ (Up to) Primary (5th) _____ Secondary (8th) _____ High School (10th) _____ Intermediate (12th) _____ Bachelor's degree _____ Post Graduate or above _____
- (10). Have you completed any supplemental, continuing education or training (technical, professional or functional business skills)?
Yes _____ No _____
- (11). Is your business unit registered or not?
Yes _____ No _____
- (12). To what extent are your previous work experience and/or educational background within the field of your enterprise?
(to no extent) 1 2 3 4 5 (exactly the same)
- (13). Type of industry / business (tick only one: if involved in more than one area; identify only the area with the most sales revenue)
- | | |
|---|---|
| Professional services (e.g. accounting, consulting) _____ | Retail (including import/export) _____ |
| Consumer services (e.g. hairdressing, auto service) _____ | Wholesale (including import/ export) _____ |
| Guest services (e.g. hotel, restaurant) _____ | Agricultural or agricultural related _____ |
| Manufacturing (consumer or durable goods) _____ | Construction related (Including all trades) _____ |
| Transportation or public utilities _____ | Mining, extraction, oil _____ |
- (14). How much original investment does your company has in manufacturing?
Up to Rs. 25 lacs _____ Rs.25 lacs – Rs.5 crores _____ Rs. 5 crores – Rs.10 crores _____
- (15). How much original investment does your company has in services?
Up to Rs. 10 lacs _____ Rs.10 lacs – Rs. 2 crores _____ Rs. 2 crores – Rs. 5 crores _____

(16). You know availability of financing depends on various factors, which are in part related to general economic situation, to your company's situation and to lender's attitudes. Among the following factors, please rate the following as 1-Substantially unimproved, 5- Substantially improved

General economic outlook (Substantially unimproved) 1 2 3 4 5 (Substantially improved)

Your firm specific outlook with respect to sales, profits (Substantially unimproved) 1 2 3 4 5 (Substantially improved)

Firm's own capital (Substantially unimproved) 1 2 3 4 5 (Substantially improved)

(17).Is there any need/scope for modernization? Yes_____ No_____

If yes, the main obstacle for modernization –

☐ Finance ☐ Technology ☐ Market Conditions
☐ Management ☐ Labor

(18). Is there any type of sickness in your firm? Yes_____ No_____

If yes, then tick the causes of sickness in your firm, which are given below –

Deficiency in management ____ Working capital shortage ____ Labor problem ____
Increased cost of production ____ Government policies ____ Inadequate market demand____

(19). Do you have any future plan of expansion of your unit?

Yes_____ No _____ Yet not decided ____

(20). Are you satisfied with the assistance rendered by the various agencies?

Yes_____ No_____

(21). How much your investment per year?

Time	Investment
At initial time	_____
At present	_____

Reasons and Source initiatives to set up the enterprise

(1).When you started your current enterprise, to what extent were each of the following reasons important to you personally? (Please circle the appropriate number, corresponding to how important each consideration was to you)

Personal achievement	(not important)	1	2	3	4	5 (very important)
Status	(not important)	1	2	3	4	5 (very important)
Economic necessity	(not important)	1	2	3	4	5 (very important)
Flexibility in work / family	(not important)	1	2	3	4	5 (very important)
Independence	(not important)	1	2	3	4	5 (very important)
Learning and Personal growth	(not important)	1	2	3	4	5 (very important)
Test my own ideas	(not important)	1	2	3	4	5 (very important)
Money and Wealth	(not important)	1	2	3	4	5 (very important)
Opportunity	(not important)	1	2	3	4	5 (very important)
Recognition	(not important)	1	2	3	4	5 (very important)
Satisfying work relationships	(not important)	1	2	3	4	5 (very important)
Career security	(not important)	1	2	3	4	5 (very important)

(2). What inspired you to promote business? (Choose any one)

1. Family business
2. Friends/relatives doing similar business
3. Promoters have gained experience of the activity somewhere else (like working Experience, acquired education qualification etc)
4. Financial consultant suggested to set up the business
5. Market survey carried out and found it useful/viable to take it.
6. Own ambition to do this business

(3). Identify the financial source and usefulness of each of the following when your firm was established.

(Usefulness score: 1-Not useful, 5-Extensively useful)

Financial Source	Usefulness				
1. Loan from a Mutual Fund	(Not useful)	1	2	3	4 5 (Extensively useful)
2. Loan from relatives and friends	(Not useful)	1	2	3	4 5 (Extensively useful)
3. Loan from Parent firm	(Not useful)	1	2	3	4 5 (Extensively useful)
4. Private loans	(Not useful)	1	2	3	4 5 (Extensively useful)
5. Own equity (savings)	(Not useful)	1	2	3	4 5 (Extensively useful)
6. Corporate bonds	(Not useful)	1	2	3	4 5 (Extensively useful)
7. Term loan from public sector banks	(Not useful)	1	2	3	4 5 (Extensively useful)
8. Term loan from private bank	(Not useful)	1	2	3	4 5 (Extensively useful)
9. Margin money from SIDBI	(Not useful)	1	2	3	4 5 (Extensively useful)
10. Bill rediscounting for machinery from SIDBI	(Not useful)	1	2	3	4 5 (Extensively useful)

Finance related Issues of Enterprises

(1). Have you taken any credit?

Yes _____ No _____

(2). Which type of loan you have taken?

Working capital loan _____ Term loan _____

(3) From which association you have taken loan?

Public sector banks _____ Private sector banks _____ Commercial banks _____
 RRBs _____ Government associations _____ From SFC _____

(4). When you have repaid your loan?

Within one month _____ Within two months _____ After six months _____ After two
 year _____

After Five Years _____ After Ten Years _____ Not fixed _____

(5). Have you availed multiple loans from banks?

Yes _____ No _____

(7). For what purpose you have taken loan?

For raw material ____	For more production ____	Repayment of previous loans____
Up gradation of the firm ____	Modernization of the firm____	For machinery & Equipments__
For more services provide to customers__		

(8). To realize your growth ambitions, could you tell what type of source would you prefer most?

Source of finance	Ranking
1.Loan is preferred from public banks	_____
2. Private money lenders	_____
3. Friends/relatives	_____
4. NBFC Hiring, Leasing	_____
5. Government	_____
6. Private banks	_____

(9). What are the sources of working capital?

Sources	Yes	No
Borrowing from banks	_____	_____
State finance corporations	_____	_____
Friends and relatives	_____	_____
Money Lenders	_____	_____
Banks and SFC	_____	_____
Banks, money lenders and SFC	_____	_____
Own sources (savings)	_____	_____

(10). What are the most critical problems your firm is facing in doing business? It could be one or more of following items –

Cost of Production	(Never) 1	2	3	4	5 (Usually)
Skilled or experience manager are not available in the market	(Never) 1	2	3	4	5 (Usually)
Competition from large industries	(Never) 1	2	3	4	5 (Usually)
Getting buyers of product i.e. marketing is a big problem for our products	(Never) 1	2	3	4	5 (Usually)
Product branding	(Never) 1	2	3	4	5 (Usually)
Access to bank finance	(Never) 1	2	3	4	5 (Usually)

(11). Please rate the finance problem that you have faced.1= Strongly disagree... 5 = Strongly agree

Hostile attitude of government agencies	(Strongly disagree) 1	2	3	4	5 (Strongly agree)
Inadequate assistance from commercial banks	(Strongly disagree) 1	2	3	4	5 (Strongly agree)
Inadequate assistance from financial institutions	(Strongly disagree) 1	2	3	4	5 (Strongly agree)

(12). If your company applied and tried also to negotiate for required finance; did you receive full or in part or nothing? Please rate accessibility & availability of finance.

Bank working capital – cash credit, overdraft, credit line etc (Not at all) 1 2 3 4 5 (Extensively)

Trade credit (Not at all) 1 2 3 4 5 (Extensively)

Term loan (Not at all) 1 2 3 4 5 (Extensively)

Private lenders, friends/relatives, leasing etc (Not at all) 1 2 3 4 5 (Extensively)

(13). To realize your growth ambitions, could you tell how much amount of finance you aim to obtain? (Choose any one)

Amount of loan rendering by different agencies

1.No loan is required by firm

2.Loan requirement is smaller than Rs. 25 lacs

3.Loan requirement is over Rs. 25 lacs-Rs. 1crores

4.Loan requirement is over Rs.1 crores-Rs.5 crores

5.Loan requirement is over Rs. 5 crores-Rs.10 crores

6.Loan requirement is over Rs. 10 crores

(14). If your company did not apply for finance from banks; could you please describe why it was not applied for? (Choose any one)

1. Did not apply to banks as no one approached to the firm.

2. Did not apply to banks because of their lengthy, complex and inflexible paper work.

3. Did not apply because banks take months to provide finance.

4. Banks do not have online tracking of loan application.

5. Did not apply because banks provide insufficient funding.

6. Do not want to take any loan from banks

(15). If you have not used finance from Financial Institutions, tick against applicable reason(s) from list below,

(a) Did not apply for funds: (Choose any one)

1. Didn't know the system ____

2. Knew the system, but the required documentation was too complicated ____

3. Knew the system, but expected that it would not be helpful to us ____

4. Knew the system, but the interest rate and accruing costs were too high ____

5. Knew the system, but lacked sufficient collateral ____

6. Knew the system, but the timing was inappropriate ____

7. Didn't need to use this system ____