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Pimpri Chinchwad Education Trust's
S.B.Patil Institute of Management
Nigdi, Pune, India

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FINANCIAL PROBLEM IN MSME-AN ANALYTICAL STUDY

Padma Amarish

ABSTRACT:

Globally, there is an increased recognition of the important role played by micro, small and medium enterprises (MSMEs) in the economic development of a country. Similarly, In India, MSMEs is the main engine behind the economic growth. In particular, MSMEs is one of the biggest contributors to GDP, employment and plays a core role in the supply chain of large businesses. One of the major problems faced by MSMEs in India is lack of finance to advance business growth. MSMEs lack setup capital, liquid capital, working capital and investment capital to survive and grow in a dynamic and predatory competitive business environment. MSMEs heavily depend on the financial institutions such as banks, credit corporations and development banks for the supply of finance to meet their daily financial needs. Against this backdrop this paper will examine the financial obstacles faced by MSMEs. The paper will provide some recommendations for change in government policy and regulation in assisting MSMEs.

Keywords: Financing Development, MSMEs, Finance, Financial Problems, Business Variables, Regulatory Policies, Nature of Ownership, Turnover, Age of Unit, Capacity Utilization.

INTRODUCTION: -

In present scenario of business, the micro, small and medium enterprises have been accepted as the engine of growth for promoting equitable development. The Indian economy thrives through the process of creating enterprise. The MSME have been contributing to expansion of entrepreneurial culture through business innovations. The MSME are widely dispersed across the sector of the economy, producing diverse range of products and services to meet demands of local as well as global markets. The contribution of MSME in GDP is 6%, 33% manufacturing sector and 45% in exports. The number of MSME and employment in MSME sector are 512.99 lakh and 1112.28 lakh respectively.

The MSME's sector has consistently registered higher growth rate compare to the overall industrial sector. The distribution of MSME'S in all over India is not equal because of unavailability of raw material, unawareness or lack of entrepreneurial skills development and lack of support of financial and technical assistance from concerning local authorities at district or state and central level. The unavailability of adequate and timely credit facility, high cost of

credit, lack of modern technology , no research and innovations, insufficient training and skill development, complex labor laws are the main problems of the MSME'S. Although, there are various opportunities are available in the development of MSME'S. The MSME'S sector can also attract to the foreign investment and technology .The employment is more possible through the development of MSME'S. The MSME'S will be able to satisfy the needs of the customers up to a great extent after considering their expectations primarily. Migration of rural youths can stopped by providing them chance to work at their place. The mutual change of technology among the different types of MSME'S, financial and technical assistance, liberal labour laws , training and skills formation will assist in the development of MSME'S . There must be a detailed survey and research to know the problems and difficulties of MSME'S so that a rapid growth can be attained.

Micro Small Medium Enterprises (MSME): MSME Sector consists of any enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or

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Assistant Professor, PCET's S. B. Patil Institute of Management, Nigdi, Pune 411044.

Contact No. : 9970860605

Email Id: mailtoamarish@gmail.com

undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industry Development & Regulation Act, 1951 and other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipment respectively as noted below:

A. For manufacturing sector, an enterprise is classified as:

- (a) Micro enterprise, if investment in plant and machinery does not exceed twenty five lakh rupees;
- (b) Small enterprise, if investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or
- (c) Medium enterprise, if investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

B. In case, enterprise is engaged in providing or rendering of services, it is classified as:

- (a) Micro enterprise, if investment in equipment does not exceed ten lakh rupees;
- (b) Small enterprise, if investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or
- (c) Medium enterprise, if investment in equipment is more than two crore rupees but does not exceed five crore rupees.¹¹

Table-1.1

Classification of MSME

| Sr. No. | Classification | Manufacturing Enterprises* (Rupees in Lakhs) | Service Enterprises** (Rupees in Lakhs) |
|---------|----------------|--|---|
| 1 | Micro | 25 | 10 |
| 2 | Small | 500 | 200 |
| 3 | Medium | 1000 | 500 |

*Investment Limit in Plant and Machinery

**Investment Limit in Equipments

Source: MSME Annual Report (2014-15)

PROBLEM STATEMENT: -

This study is relevant, particularly, when the Government is very keen on the promotion and development of this capital sparing and labour

intensive sector. It has already been mentioned that a big role is played both by the Public and Private Agencies for the promotion and smooth functioning of the sector. Yet, this sector is not performing up to the expectations of many as it has been suffering from several problems. Therefore, the importance of the present study need not be over emphasized in the light of the fact that different problems are centered in this sector and that this study aims at resolving the varied problems of this sector.

The present study attempts to throw light on the varied problems of the micro, small and medium sectors. Further, the study may help the policy makers to formulate of certain policies in the light of changing conditions to resolve the problems of MSME's with entitled "A Study of Financial Problems of Micro, Small And Medium scale Textile Units In Solapur City"

OBJECTIVE OF THE STUDY: -

The detailed objectives of the study are as follows:-

1. To identify and study the impact of the financial problems on financial performance of Micro, Small and Medium Textile units in Solapur City.
2. To study the impact of demographic variables (gender, age, education and experience) on financial problems of Micro, Small and Medium scale textile units in Solapur city.
3. To study the impact of business variables (ownership, turnover, age of unit and capacity utilization) on financial problems of Micro, Small and Medium scale textile units in Solapur city
4. To suggest measures to be taken to solve the financial problems of Micro, Small and Medium scale textile units in Solapur city.

HYPOTHESES OF THE STUDY: -

1. H_0 : There is no significant impact of gender of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city
 H_1 : There is significant impact of gender of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city
2. H_0 : There is no significant impact of age of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city

- H₂: There is significant impact of age of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city
3. H₀: There is no significant impact of education of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city
H₃: There is significant impact of education of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city
4. H₀: There is no significant impact of experience of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city
H₄: There is significant impact of experience of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city
5. H₀: There is no significant impact of nature of ownership on the financial problem of Micro, Small and Medium scale textile units in Solapur city
H₅: There is significant impact of nature of ownership on the financial problem of Micro, Small and Medium scale textile units in Solapur city
6. H₀: There is no significant impact of turnover on the financial problem of Micro, Small and Medium scale textile units in Solapur city
H₆: There is significant impact of turnover on the financial problem of Micro, Small and Medium scale textile units in Solapur city
7. H₀: There is no significant impact of age of unit on the financial problem of Micro, Small and Medium scale textile units in Solapur city
H₇: There is significant impact of age of unit on the financial problem of Micro, Small and Medium scale textile units in Solapur city
8. H₀: There is no significant impact of capacity utilization on the financial problem of Micro, Small and Medium scale textile units in Solapur city
H₈: There is significant impact of capacity utilization on the financial problem of Micro, Small and Medium scale textile units in Solapur city

SCOPE OF THE STUDY: -

- a. **Subjective scope: -**

Research study is related to impact of demographic and business variables on twenty three financial problems identified by researcher.

- b. **Organization wise scope: -**
Research study is related to impact of financial problems on financial performance of textile manufacturing units in Solapur city.
- c. **Geographical area wise scope: -**
Research study is limited to Micro, Small and Medium scale textile units in Solapur city area. It is related to Solapur MIDC area.
- d. **Analytical scope: -**
Research study has scope of analysis of different financial problems, impact of demographic and business variables on Micro, Small and Medium Scale Textile units in Solapur city.
- e. **Period wise scope: -**
Even though the study is not limited to a specific time period, but for the convenience the study mainly had focused on four years spreading from 2013 to 2017.

LIMITATIONS OF THE STUDY: -

The research has certain limitations: -

- a. The universe of the investigation is restricted to the Solapur City of Maharashtra. As such the generalizations of the results of the study could only be restricted to the area under investigation in particular and there as where the similar conditions prevailing general.
- b. The study covered the registered units of Micro, Small and Medium Scale units at District Industries Centers (DIC's), which is not applicable for unregistered units.
- c. Many of the owners did not maintain the proper records of their production, income, expenditure, profit; hence the details supplied by memory call method may lead under or over estimation of the values.
- d. The inferences drawn and findings and conclusions obtained from research study are depend upon the financial information given by the Micro, Small and Medium scale textile units in Solapur city.

RESEARCH DESIGN OF THE STUDY:

The challenging problem that follows the task of defining the research problem is the preparation of the design of the research project, known as the research design. In fact the research design is the conceptual structure within which the research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. The descriptive research design is used in the present study.

SAMPLING DESIGN OF THE STUDY:

A sampling design is a definite plan for obtaining a sample from a given population. It refers to the technique the researcher would adopt in selecting items for the sample. It includes the followings;

Universe: The owners of Micro, Small and Medium Scale Textile units of Solapur District.

Population: The owners of Micro, Small and Medium Scale Textile units of the Solapur City.

Sampling frame: The list of owners of registered Micro, Small and Medium Scale Textile units of the Solapur City at DIC (District Industries Center) office record.

Sample size: The owners of the selected Micro, Small and Medium scale textile units of Solapur city. The 354 questionnaire were circulated out of which 327 questionnaire were appropriate for the purpose of research work. The total Micro, Small and Medium Scale Textile units are 2200 units of population data received from DIC (District Industries Center) Source: Office record: DIC.

The sample size is calculated from the formula given below.

$$n = N / (1 + N * e^2)$$

n = Sample Size

N = Population

e = Level of Significance

Sampling procedure: The systematic random sampling (Probability sampling) is used for the data collection.

Pilot survey: -

A pilot study was conducted to for finalization of questionnaire and interview schedule for which 15 units were selected. On the basis of pilot study, necessary corrections and changes were made and

after the revision final questionnaire were prepared and used for final survey. The interview schedule and questionnaire is attached with appendix-1

REFERENCE PERIOD:

The length of the study is not limited but the reference period covers four years from 2013 to 2017. The reference period for the collection of primary data was six months. The survey was conducted during the period from September 2016 to March 2017.

COLLECTION OF SECONDARY DATA:

The research is also based secondary data. The secondary data is collected from various secondary sources like the Ministry of Micro, Small and Medium Enterprises, Development Commissioner, Ministry Of Micro, Small & Medium Enterprises, Maharashtra Industrial Development Corporation, Reserve Bank of India publications, the key performance indicators of the Micro, Small and Medium Enterprises (MSMEs), the central and state government publications, publications of economics and statistics department, different committee reports, the Micro, Small and Medium Enterprises (MSME) annual reports. The secondary data is also collected from the books, periodicals, magazines, journals, Ph.D. theses and websites etc. The collected secondary data has been critically analyzed in the chapter-5.

COLLECTION OF PRIMARY DATA: -

The primary data are those which are collected afresh and for the first time, and thus happen to be original in character. The primary data has been collected through the field survey. For this purpose one set of structured questionnaire was prepared for the owners of Micro, Small and Medium enterprises in Solapur. The owners are personally interviewed which enabled the researcher to get the first hand information and gave an opportunity to observe the owners personally. It was made sure that the questions were correctly understood by the owners (respondents) by asking the questions in the local language and repeating questions whenever necessary.

The questionnaire was prepared to meet the objectives of research. Questionnaire includes both open end and close end questions. The questionnaire is divided into three parts, first part has personal details of owner of unit, second part includes details of the unit and third part contains details about the problems faced by owners.

ANALYSIS AND INTERPRETATION OF PRIMARY DATA: -

The collected primary data has been processed and analyzed according to the objectives of research. The data has been classified and tabulated to analyze and interpret accordingly. The statistical tools like percentage, frequency, average, standard deviation, coefficient of variation (CV), t-test, analysis of variance (ANOVA), chi square test etc. were used for the analysis. For the analysis of data the Statistical Package for the Social Sciences (SPSS), Microsoft Office (MS Office) was used.

Once the data is analyzed, it interpreted to find the relationships within the variables.

Statistical tools used for the analysis:

The collected data analyzed by using the statistical tools like percentage, frequency, average, standard deviation, coefficient of variation (CV), difference of mean test, correlation, regression, coefficient of determination, analysis of variance (ANOVA), chi square test etc. the help of Statistical Package for the Social Sciences (SPSS), Microsoft Office (MS Office) taken for the study. The findings of the data are suitably interpreted and finally the necessary inferences are drawn. Tables, charts, diagrams, figures, maps are used to make the data more attractive and relevant. Below is given the specific statistical tools used to analyze the data.

1. To study the impact of financial problems on financial performance of micro, small and medium scale textile units Chi-square is used.
2. To test the difference between gender and financial problems of micro, small and medium scale textile unit 'T' test is used.
3. To test the difference between age of owner and financial problems of micro, small and medium scale textile unit 'ANOVA' test is used.

4. To test the difference between education of owner and financial problems of micro, small and medium scale textile units 'ANOVA' test is used.
5. To test the difference between experience of owner and financial problems of micro, small and medium scale textile units 'ANOVA' test is used.
6. To test the difference between nature of ownership and financial problems of micro, small and medium scale textile units 'ANOVA' test is used.
7. To test the difference between age of unit and financial problems of micro, small and medium scale textile units 'ANOVA' test is used.
8. To test the difference between turnover and financial problems of micro, small and medium scale textile units 'ANOVA' test is used.
9. To test the difference between capacity utilization and financial problems of micro, small and medium scale textile units 'ANOVA' test is used.

FINDINGS AND CONCLUSION

On the basis of analysis of data followings findings and conclusions given: -

1. **Category of Unit:** - It is found that there are in total 327 units which comprises of 218 micro enterprises, 77 small units and 32 medium units. The Micro units are higher in number compared to Small and Medium Units that may be due to low amount of capital required than Small and Medium Units.
2. **Sex Composition of the Owners:** - It is found that 274 owners are male and 53 owners are female. The sex ratio is 177 female per 1000 male, which is less than the state sex ratio of 978 female per 1000 male. It shows that female are little conservative in starting and managing business.
3. **Age Structure of the Owners:** - It is found that 157 owners of 48.01 percent of the total owners are in the age group of 21-40 years and 109 owners of 33.33 percent are in the age group of 41-60 years. Taking these two groups together constituted 81.34 percent of the owners, which is more vulnerable age group. The entrepreneurs are more interested to start and run enterprise on their own.

- 4. Educational Standard of the Owners:** - It is found that 43 respondents i.e. 13.15 percent of the respondents has Elementary education below 10th standard, 70 respondents i.e. 21.41 percent of the respondents are Secondary/Intermediate, 142 respondents i.e. 43.43 percent of the respondents are graduates, 31 respondents i.e. 9.48 percent of the respondents are post-graduate, 41 owners i.e. 12.54 percent of the respondents are diploma / technical, It can be concluded that the educational attainment is satisfactory so far the study area is concerned and by further focus the literate rate can be increased.
- 5. Generation of Being Entrepreneur:** - It is found that 60 respondents i.e. 18.35 percent of the respondents are of First Generation, 106 respondents i.e. 32.42 percent of the respondents are of Second Generation, 126 respondents i.e. 38.53 percent of the respondents are of Third Generation, 35 respondents i.e. 10.70 of the respondents are of Fourth Generation, It can be concluded that the Majority of respondents of Second and Third Generation so far the study area is concerned that may be due to successfully running of business and business effectively transferred to their next generation.
- 6. Years of Experience:** - It is found that 44 respondents i.e. 13.46 percent of the respondents are of having Experience of 0-5 Years, 75 respondents i.e. 22.94 percent of the respondents are Experience of 6-10 Years, 130 respondents i.e. 39.76 percent of the respondents having Experience of 11-20 Years, 78 respondents i.e. 23.85 of the respondents are of having Experience of above 20 Years, It can be concluded that the Majority of respondents of have experience of more than 5 years of experience. So, Many owners having sufficient experience to run and handle the business.
- 7. Nature of Ownership:** - It is found that 260 respondents i.e. 79.51 percent of the respondents are of Sole Proprietorship, 11 respondents i.e. 5.20 percent of the respondents are of Hindu Undivided Family, 50 respondents i.e. 15.29 percent of Partnership firms. It can be concluded that the Majority of respondents of Sole Proprietorship that may be due to low amount of capital required which can be managed by themselves and not dependent on other partners and members.
- 8. Age of Unit:** - It is found that 115 respondents i.e. 35.17 percent of the respondents business has set up from 11-20 years, 84 owners i.e. 25.69 percent business is running from 6-10 years, 48 owners business running i.e. 14.68 percent running from 0-5 years and 80 owners i.e. 24.46 percent is running for more than 20 years. Majority of units having experience of more than 5 years which gives enough experience to owners to handle business effectively.
- 9. Turnover of the Unit:** - It is found that 183 respondents i.e. 55.96 percent of the respondents are Less than 25 Lakhs, 81 respondents i.e. 24.77 percent of the respondents are 25 lakh to 1 Crore, 34 respondents i.e. 10.40 percent are of 1 to 5 Crores and 29 respondents are of above 5 Crores. It can be concluded that the Majority of respondents of having turnover of Less than 25 Lakhs and 25 Lakhs to 1 Crore. There are majority of units are small whose turnover is less than 25 lakhs.
- 10. Capacity Utilization of The MSME:** - It is found that 22 respondents i.e. 6.73 percent of the respondents are running with 1-25% capacity utilized, 35 respondents i.e. 10.70 percent of the respondents are running with 26-50% capacity utilized, 115 respondents i.e. 35.17 percent are running with capacity of 51-75% and 155 respondents are running with 76-100% capacity utilized. It can be concluded that the majority of respondents are running with 51-75% and 76-100% with percentage of 35.17% and 47.40% respectively. The units which are running with capacity of 1-25% are very prone to closure due to such low capacity utilization. The units are also running with 26-50% capacity utilization are difficult to run and need support to rehabilitate. The reasons for low capacity utilization may be

- due to low demand from the market, low quality of raw material, reduction in costs etc.
11. **Mode of Marketing:** - It is found that 73 respondents i.e. 22.32 percent of the respondents marketing through Direct Sale, 241 respondents i.e. 73.70 percent of the respondents are marketing through Indirect Sale through Intermediaries. 13 respondents i.e. 3.98 percent are selling to Government Agencies. Majority of units has Indirect sale through intermediaries that may be due to not in direct contact with the customers.
 12. **Terms of Sales:** - It is found that 38 respondents i.e. 11.62 percent of the respondents selling to customer on cash basis, 162 respondents i.e. 49.54 are selling only on credit basis, 88 respondents i.e. 38.84 percent of the respondents are selling on both cash and credit basis. Majority of owners are selling on credit basis that may be due to low demand and acceptance of conditions set by buyer.
 13. **Relationship between Financial problems on performance of MSME's:** - The chi-square value of 551.055 (df=4, N=327), significance value is 0.00, which is less than 0.05 ($p < 0.05$) is significant at 4 degree of freedom, showing that there is significant difference in the expected and observed frequencies. As such we reject the hypothesis that there is no significant impact of the all financial problems has significant impact on financial performance of Micro, Small and Medium Scale Textile units.
 14. **Relationship between gender and financial problems:** - There is some significant difference between gender of owners in relation to financial problems faced by Micro Small and Medium Scale Textile units.
 15. **Relationship between age and financial problems:** - There is some significant difference between age of owners in relation to financial problems faced by Micro Small and Medium Scale Textile units.
 16. **Relationship between educational qualification and financial problems:** - There is some significant difference between educational qualification of owners in relation to financial problems faced by Micro Small and Medium Scale Textile units.
 17. **Relationship between experience of the owner and financial problems:** - There is some significant difference between experience of owners in relation to financial problems faced by Micro Small and Medium Scale Textile units.
 18. **Relationship between nature of ownership and financial problems:** - There is some significant difference between nature of ownership in relation to financial problems faced by Micro Small and Medium Scale Textile units.
 19. **Relationship between turnover and financial problems:** - There is some significant difference between turnover in relation to financial problems faced by Micro Small and Medium Scale Textile units.
 20. **Relationship between age of business and financial problems:** - There is some significant difference between age of business owner in relation to financial problems faced by Micro Small and Medium Scale Textile units.
 21. **Relationship between capacity utilization and financial problems:** - There is some significant difference between capacity utilization of owner in relation to financial problems faced by Micro Small and Medium Scale Textile units.

HYPOTHESES TESTING: -

| Sr. No. | Hypothesis | Test Applied | Result | Conclusion |
|---------|--|--------------|----------|--|
| 1 | H ₀ : There is no significant impact of gender of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city | T Test | Accepted | There is no significant impact of gender of owner on Financial |

| | | | | |
|---|--|--------|----------|---|
| | H1: There is significant impact of gender of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city | T Test | Rejected | Problems of Micro, Small and Medium Scale Textile Units of Solapur City |
| 2 | H0 : There is no significant impact of age of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Accepted | There is no significant impact of age of owners Financial Problems of Micro, Small and Medium Scale Textile Units of Solapur City |
| | H2: There is significant impact of age of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Rejected | |
| 3 | H0 : There is no significant impact of education of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Rejected | There is significant impact of education of owner on Financial Problems of Micro, Small and Medium Scale Textile Units of Solapur City |
| | H3: There is significant impact of education of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Accepted | |
| 4 | H0 : There is no significant impact of experience of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Rejected | There is significant impact of experience of owner on Financial Problems of Micro, Small and Medium Scale Textile Units of Solapur City |
| | There is significant impact of experience of owner on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Accepted | |
| 5 | H0: There is no significant impact of nature of ownership on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Rejected | There is significant impact of nature of ownership on Financial Problems of Micro, Small and Medium Scale Textile Units of Solapur City |
| | H5: There is significant impact of nature of ownership on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Accepted | |
| 6 | H0 : There is no significant impact of turnover on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Rejected | There is significant impact of turnover on Financial Problems of Micro, Small and Medium Scale Textile Units of Solapur City |
| | H6: There is significant impact of turnover on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Accepted | |
| 7 | H0 : There is no significant impact of age of unit on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Rejected | There is significant impact of age of unit on Financial Problems of Micro, Small and Medium Scale Textile Units of Solapur City |
| | H7: There is significant impact of age of unit on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Accepted | |

| | | | | |
|---|--|-------|----------|--|
| 8 | H0: There is no significant impact of capacity utilization on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Rejected | There is significant impact of capacity utilization on Financial Problems of Micro, Small and Medium Scale Textile Units of Solapur City |
| | H1: There is significant impact of capacity utilization on the financial problem of Micro, Small and Medium scale textile units in Solapur city | ANOVA | Accepted | |

SUGGESTIONS: -

Based on the findings and conclusions of the study, the following suggestions are made to make the process of Micro, Small and Medium Units development more effective. These suggestions are helpful to the owners of MSME's, Financial Institutions, Textile Associations and Government authorities.

Suggestions to Owners of MSME: -

- Considering the weak financial structure of MSME in the state and the exorbitant financial commitments involved in the market survey, which is a prerequisite for the successful organization and the subsequent functioning of MSME and a state level marketing consultancy organization should be set up to minimize the product failure.
- Analysis reveals that among the entrepreneurs low percentage are females compared to males. This shows that the representation of females in entrepreneurship field is less. Government is already providing different types of concessions and subsidies to women entrepreneurs. The potential women entrepreneurs should be identified and steps should be taken to commence viable units by female entrepreneurs.

Suggestions to Financial Institutions: -

- The financial agencies particularly Maharashtra financial Corporation, should take necessary steps for reducing the rate of

interest for loans and advances to the entrepreneurs of MSME sector.

- The financial agency should ensure the proper utilization of loan advanced by it to the MSME. Therefore, there should be proper follow up action which provided finance to the firms. For this purpose an inspection team may be constituted for all branches of the financial institutions.
- It is suggested that an application revived for financial support in the form of a loan from MSME should be disposed by the financial institutions and banks within one month. It requires special attention that the Maharashtra Financial cooperation, which is mainly responsible for the development of MSME Sector in the State as a Government agency should take special care in this regard. The genuineness of the application should also be thoroughly verified as to ensure that the assistance is not misused.
- Bank should assess the demand potentiality of each type of industry and only a feasible number of units should be financed. If this is not done, these units will not be able to use their full capacity. Hence, need based lending should be followed instead of security or target oriented lending.
- It is important that the working capital requirements of the borrower units are reviewed by the banks periodically and if found necessary the limits should be enhanced.
- There should be a proper monitoring system of the banks at the branch level in order to detect sickness in the small scale units at the

incipient stage itself, since prevention through caution is better than cure.

- In order to reduce the delay in project implementation the commercial banks should take up the responsibility of providing both fixed and working capital finance. The Small Industries Development Bank of India can help the commercial banks for providing the necessary long term loans to lending institutions providing the working capital assistance. The difficulties in this respect can be minimized.
- To ensure the free flow of credit the small scale industries, the commercial bank should setup specialized branches exclusively for catering to the needs of the small scale industries, in all the important industrial centers of the state.
- The existing pattern of loan repayments imposes heavy burden on the borrowers especially during the initial periods as the units are strengthening to generate profits. The telescopic system should be adopted for scheduling the loan repayments in which the size of the installment increases progressively with the age of loan.
- Compulsion on collateral securities turn away worthy, resourceful and able entrepreneurs especially those with novel projects. Hence, the security oriented approach towards loan should be replaced by purpose oriented lending.
- The procedure for securing financial assistance should be rationalized and simplified and urgent steps should be taken to reduce the time taken for processing the application. This would prevent cost overruns caused by undue delay in commissioning the product.
- Commercial banks and similar financial institutions should be given direction by the government to sanction loans for the working capital requirements of the SSI units at a subsidized rate by giving top priority. The Cumbersome formalities followed

should also be made easier especially with regard to the timely disbursement of loan.

- The financial institutions and commercial banks extend financial support of the Small Scale Industrial units should ensure themselves that the money borrowed from them is utilized by the owners of the Small Scale Industrial units for the purpose for which it is taken. Periodical on the spot inspection by the financial institutions / banks is highly recommended.
- The existing arrangement for loans granted to the Small Scale Industries for acquiring plant and machinery, adopted by the financial institutions are found to be not satisfactory in the sense that the units are compelled to buy certain specified brands of plant and machinery. This leads to the acquisition of poor quality of plant and machinery. To overcome this, the Small Scale industries should be given the freedom for the selection of the plant and machinery in accordance with their needs.

Suggestions to Textile Associations

- Inadequacy of funds is a hurdle for the Small Scale Industries from undertaking marketing research of their own. The other agencies responsible for the promotion of Small Scale Industries should take the initiative to conduct marketing surveys and to provide the small scale industries with the information which would be required for changing the production pattern and marketing strategies.
- Working individual unit's partnership and societies are not able to make full use of their production capacity due to the absence of skilled labour force. In order to have a sufficient trained workers and supervisory staff, a course on different product manufacturing is to be initiated in Industrial Training Institutes and polytechnic colleges.

Suggestions to Government Authorities

- The government can setup a marketing corporation with autonomous status for

marketing the product of the SSI sector with reasonable returns and can market their products in an organized manner through its sales depots. Large scale advertisement for the products of the MSME sector can also be made possible under this arrangement.

- In order to avoid the competition from within the Small Scale Industrial sector the government can consider the imposition of restrictions on the number of units for a specified item of products in a particular area, say Block or Taluka.
- Poor employer-employee relationship mainly stems from the demand from the employees for higher wages. So the minimum wage fixed by the government should be linked with productivity.
 - Technology upgradation should be periodically done in MSME units. Governments, Department of Industries and Commerce, District Industries Centre, Chamber of Industries and Commerce etc. should help the MSME units to go in for upgradation of technology in their units.

CONCLUSION: -

The present study is an attempt to evaluate the financial problems faced by micro small and medium scale in Solapur. The study highlights the various financial problems faced by the MSME in the study area. The study is based on primary and secondary data. The findings of the study will enable the Government and policy makers to frame suitable mandates to promote MSME. It is therefore, earnestly hoped that the authorities will consider the suggestions given in the study. The study would also strive to motivate the future researchers to identify many more problems in the area of small scale industries.

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