



International Journal of Economic Research

ISSN : 0972-9380

available at <http://www.serialsjournal.com>

© Serials Publications Pvt. Ltd.

Volume 14 • Number 10 • 2017

Perception towards Financial Factors – A Comparison between MSMEs Owners / Managers: Aware and Unaware of Government Initiatives

Sonu Garg¹ and Parul Agarwal²

¹ Research Scholar, School of Management, JECRC University, Jaipur, Rajasthan, India, E-mail: sonu.garg0612@gmail.com

² Dean, School of Management, JECRC University, Jaipur, Rajasthan, India, E-mail: parul.agarwal@jecrcu.edu.in

Abstract: Internationally, it is an accepted fact that the Micro, Small and Medium-sized Enterprises (MSMEs) have been virtually driving the economic growth of a nation. They have contributed in providing employment, a major cause of worry for various governments and have helped in increasing exports through innovation and managing efficiencies, thus helping the nation to earn valuable foreign exchange. As such, various governments not only across the world but also the government of India have been developing policies and taking initiatives for the well-being of the sector. However, the sector still faces difficulty in accessing finance despite various schemes providing subsidies and loans without collateral. Possibilities as such include the lack of awareness about these schemes. In this paper, an effort has been made to find out and compare the perception of the aware and unaware owner's / manager's, of the MSME units, towards the financial factors which have been hindering their efforts to access funds from financial institutions, based upon their awareness of government initiatives for the sector. This study concludes that the difference, between owner/manager aware about the government initiative and owner/manager unaware about the government initiative, do exist in reference to their perception of the order of severity of the barriers of identified financial factor.

Keywords: MSMEs, Government Initiatives, Finance, Financial Factors, Perception, Awareness

Paper type: An empirical study based research paper

JEL Classifications: L26 M13 G24 R51

1. INTRODUCTION

Micro, Small and Medium Enterprises or MSME Sector is a core driver to economic advancement and growth of nations, both developing and developed. It is also a key contributor towards introducing new technology and innovation, in developed countries. (Coad and Tamvada 2012) However, the role of MSMEs

in developing nations is different from that in developed countries as they offer an individual a livelihood and source of income to fulfil their necessity and enhance their living of standard. In addition, in many of the developing countries MSMEs are founded as a last resort rather than first choice. (Beck *et al.* 2005).

In India, MSME sector accounts for 80% of the manufacturing units. The MSME sector employs more than 11.71 Crore people in 5.10 Crore MSME Units. These units contribute to 8% of national gross domestic product (GDP), 43% of total exports and 45% of the total manufacturing output is produced by the MSME sector. However, the business environment has drastically changed. On one hand, MSMEs hugely contribute in employment generation, export, production and national GDP, whereas on the other hand, several factors have been introduced due to ever-changing dynamics of business environment. Most of the MSMEs that were unable to manage this changing business climate were unable to continue and got closed. (Irwin and Scott, 2012).

Available literatures show that micro, small and medium enterprises or small and medium enterprises (SMEs) primarily face inadequate support from financial institution (Fielden *et al.* 2000) and options of getting low-interest credit are very little or none (Mambula and Sawyer 2004). Also, lack of finance results into use of old technology (Tambunan 2008) as upgrade to new technology for older firms becomes difficult and as such younger firms grow faster than them (Coad and Tamvada 2012). Further, MSMEs face personnel related problem as they are unable to hire skilled workforce (Fielden *et al.* 2000) due to increased skilled manpower demand, lack of workforce training (El-Khasawneh 2012) and improper personal management (Goyal *et al.* 2012) may further lead to workforce shortage. Poor marketing strategy and distribution issues, due to lack of funds, further enhances the problem for the SMEs (Tambunan 2008). Thus, problems related to finance, marketing, infrastructure, technology and skilled manpower plague the sector, hindering the realisation of the actual potential of the sector.

However, access to finance is the key issue, because finance plays a dominant role in every activity, economic or operational, of a firm. The lack of funds has a cascading effect on other problems like marketing, technology upgradation, infrastructure and manpower. The financial problem becomes more severe because of cumulative effect of several factors. The factors could be demographic like age and size of firm, owner/manager's gender, experience and educational qualification, financial statements, credibility etc. which is required by financial institution for processing credit requests or interest rates, documentation, collateral, delay in processing, etc. which is related to the MSMEs.

Various governments have taken many initiatives in past several years to mitigate this financial problem and provide access to adequate and timely finance so as to strengthen the sector and support the development of entrepreneurship skills (Jahanshahi *et al.* 2011). However, the sector still faces major hurdles in accessing funds from formal sources as pointed out by various researchers in their respective study.

Previous studies have exclusively focused on examining growth and performance of the Indian MSME sector, the general growth barriers and explaining the financial problem and the factors responsible for the same (Allen *et al.* 2012; Babu *et al.* 2014; Bhalla and Kaur 2012; Coad and Tamvada 2011; Goyal *et al.* 2012; Jaswal 2014; Kathuria and Mamta 2012; Lahiri 2012; Lokhande 2011; Madhani 2012; Naser 2013; Patil and Chaudhari 2014; Sandhu *et al.* 2012; Sharma and Afroz 2014; Singla and Grover 2012; Subramanyam and Reddy 2012; Talodhikar 2013; Uma 2013). Thus, it can be safely said that available literature concentrates more on financial problem and identifying the factors that affect the decision making of the owner of MSME unit during accessing funds from formal sources. However, a gap has been identified where there

has been no study to understand the perception of MSMEs owners / managers towards financial factors with reference to their awareness of government initiatives. Thus, to cover this gap, the researcher had conducted a survey of 120 MSME units in and around city of Jaipur in northern India to understand, how an aware or unaware owner/manager is different in terms of perception of the identified financial factors with respect to their order of severity.

The structure of this article is as follows: section 2 discussed issue of MSMEs' access to finance in general; Section 3 identified financial determinants by critical literature review and discussed government support and initiatives; section 4 discussed research methodology; section 5 describes research analysis and finding then section 6 presented conclusion of the study.

2. THEORETICAL BACKGROUND

2.1. Access to finance

Finance is required by all businesses for their operations and growth thus, easy access to finance is a key factor in all stages of firm's life cycle. It plays an important role in development, growth, success and failure of the enterprises (Bokpin *et al.* 2012; Cook 2001; Ou and Haynes 2006). However, small firms consistently report higher financing and other institutional obstacles than medium and large enterprises (Beck *et al.* 2006). In India, small businesses are currently unable to grow with their full potential because the flow of funds to these firms is restricted (Gautam and Vaiya 2014; Parada *et al.* 2010). This flow comes from various external and internal source of finance, however, banks remain the main supplier of external SME finance (Ghatak 2012; Kimutai and Ambrose 2013; Singh and Janor 2013), irrespective of the fact that there are various financing constraints and the impact of these constraints on firm's growth increase with time.

In India, good numbers of Commercial banks and their branches are available but they have failed to fulfil the financial demands of the sector (Patra and Misra 2003). Only 5% of the total MSMEs have been covered by institutional finance (Yadav 2012). According to the report of ASSOCHAM and SMERA, the total potential demand of finance from MSME is INR 35.5 trillion but only INR 8.9 trillion is fulfilled by formal sources. The banks have been given a target of 40% of their Adjusted Net Bank Credit (ANBC) to be disbursed to priority sector by March 2018. 7.5% of which is allotted to Micro Enterprises (RBI/2014-15/573, FIDD.CO.Plan.BC.54/04.09.01/2014-15, April 23, 2015). However, the banks, due to various factors including high non - performing assets (NPAs), are hesitant to lend to the sector. The total NPA for March 2012 was Rs.26,312.99 Crore, which increased by Rs.16115.80 Crore in March 2014 to Rs. 42,428.79 Crore (MSME Committee report 2015).

Thus, most of the MSMEs depend on internal source of finance like friends, relatives and household saving, specially at the start up stage of the firm, (Aldaba 2011; Assibey *et al.* 2012; Islam 2009; Mambula and Sawyer 2004; Naidu and Chand 2012) due to the non availability of rapidly, adequate and easy finance from formal financing channels.

2.2. Factors Affecting Access to Finance

Literature shows that In India the major portion of small firms fall in unorganised sector thus the banks and financial institutions have not been interested in providing loan as they perceive higher risk due to lack of information of credit history or information asymmetry and high administrative cost (Mishra 2013).

Also, at the time of risk assessment banks review SMEs legal formation, validity of financial statements, availability of collateral, profit earning and experience of the owner/promoter in business for funding to SMEs (Ghatak 2012). The owner/ manager of small firms realized that they are unable to raise funds from banks because of lack of collateral and complex procedures for acquiring funds from financial institutions (Gill and Biger 2012; Okpara 2011). They are required to provide large number of document to substantiate their credit worthiness, thus making the process of obtaining loan lengthy and time consuming (Biswas 2014; Gangata and Matavire 2013).

Imraan, 2009 reveals that lack of information regarding the MSMEs on one side with respect to financial documents like audited financial statements, improper business plan, lack of industry information, insufficient data on the credit history of SMEs, lack of awareness regarding various sources of finance whereas on the other side, strict lending conditions of financial institutions are the factors hampering access to finance for SMEs. All these factors result into financial institutions charging higher interest rates, high collateral and credit guarantee in proportion to the risk associated with them (Abe et al. 2015; Daniel and Willy 2015; Kimutai and Ambrose 2013; Kundid and Ercegovac 2011; Nirza and Charbel 2011 ; Singh and Singh 2014). However, if firms have longer relationship with banks, they can access funds at lower interest rate and less or no collateral (Berger and Udell 1995). However, it is also observed that, newly established businesses, having very little or no relationship with the financial institutions, put in more conscious effort to meet the credit payment obligations.

Government of India have been taking several initiatives to enable MSMEs to overcome these obstacles and hurdles by rolling out various schemes and policies through various government departments, Ministry of MSME in particular.

- 2.2.1. One of the major schemes rolled out was the Credit Guarantee Fund under the name of CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) for providing collateral free term loan and working capital facility for new as well as existing businesses. The scheme is managed by SIDBI and provides a facility of upto 1 Crore to MSE units, guaranteed by the government of India. Since the launch of the scheme in August 2000 and till December 2014, a total of 17,22,488 proposals for an amount of Rs. 85,607.35 Crores have been approved.
- 2.2.2. CLCSS (Credit Linked Capital Subsidy Scheme) is another such scheme that enables the MSMEs to acquire better and efficient technology. A subsidy of 15% of the loan sanctioned, subjected to a maximum of Rs. 1.00 Crore, is provided by the government of India to the MSE unit.
- 2.2.3. The ministry of MSME has been running a programme since 2003-04 in conjunction with the Micro Credit Programme of Small Industries Development Bank of India (**SIDBI**) for financing Microfinance institutions (MFIs) and non - government organization (NGOs) involved in providing credit to units and individuals in rural and underserved areas of various states. A total of 2199.11 Crore worth of loan has been provided to 27.19 Lakh beneficiaries.
- 2.2.4. Under the name of National Manufacturing Competitiveness Programme (NMCP) managed by the National Manufacturing Competitiveness Council (NMCC), the government of India runs the scheme for development of entrepreneurs and innovation through incubators. A total of 503 ideas from 138 incubators have been approved and a total funding of Rs. 15.85 Crore has been provided (MSME annual report, 2014-15).

Also, The Government of Rajasthan has been involved in strengthening the MSME Sector by a two pronged approach, fiscal and non fiscal. In the Rajasthan MSME Policy 2015, State government has announced a 30% investment subsidy on value added tax (VAT) and central sales tax (CST) paid 20% employment generation subsidy on VAT & CST Paid and 50% subsidy on electricity duty for 7 years. MSME units in rural or backward areas get an additional 20% investment subsidy on VAT & CST paid. Additionally, processing and service fees of upto Rs. 50,000 would be reimbursed to women, ST/SC entrepreneurs for loans received under CGTMSE. Rajasthan Financial Corporation (RFC), which is a State Government undertaking, provides credit facilities with easy provisions to the sector. In addition, it provides 6% interest subsidy on term loan upto Rs. 90 lakh for first generation entrepreneurs for new projects (MSME Rajasthan Policy, 2015).

Central and the state government have been running several initiatives; however, MSMEs have limited information or low awareness of programmes and policies. Thus, they are not able to take the full benefits of these schemes to fulfil their financial demands resulting into loss of revenue, even leading to closure due to lack of funds. (MSME committee report 2015; Rao and Noorinasab 2013).

A review of above mention literatures, in our view, do not address the perception of owners/ managers of MSMEs' towards financial factors which they face during accessing finance from banks and financial institutions in the light of awareness of government initiatives. Therefore to achieve the aim of the study we proposed the following objectives and hypothesis to increase our understanding.

3. OBJECTIVE OF THE STUDY

- 3.1. To find out the awareness of government initiatives among the MSME owners / managers.
- 3.2. To find out and compare the owner's/manager's perception of identified financial factors, aware and unaware of government initiatives
- 3.3. To compare the order of severity of identified financial factors as perceived by owners / managers, aware and unaware of government initiatives.

4. HYPOTHESIS OF THE STUDY

H01: There is no significant difference between the perception of respondents regarding the identified financial factors that are obstacles in accessing funds from formal sources of finance irrespective of awareness of government policies and schemes.

5. RESEARCH METHODOLOGY

The main objective of the study is to find out, how the financial factors are perceived by the owners/ managers of Indian MSME manufacturing units, on the basis of awareness of government policies and schemes. The final questionnaire, for collection of data, was developed after studying the various literatures available and a pilot survey on a small sample of 40 randomly selected MSME units. The same was then distributed to 150 MSME units of which only 120 responses were found eligible for further analysis. The units were registered with District Industries Centre of Jaipur city, Rajasthan. The sample population is a well diversified mix of enterprise type, product type and the owners/promoter's gender and education.

The owners/managers of these 120 units were asked about their awareness of government policies and schemes for MSME sector. In case of a positive response, the next question asked, was to select the name of the schemes they were aware about, from a list of popular government schemes and policies. The questionnaire further contained a series of questions based upon the identified financial factors that cause difficulty in accessing funds, for the MSME owner/manager, irrespective of the response to the first question.

The eleven key factors that pose as hurdles to the firms while trying to access funds, identified on the basis of pilot survey and study of various available literatures, are described in the table 1 below:

Table 1
Financial Factors

<i>Sr. No.</i>	<i>Factor</i>	<i>Description and its probable impact on borrowing decision</i>
1	High Interest Rate	The interest rate has a direct impact on profitability of the firm and hence has a significant impact on the borrowing decisions of the firm. Also, the financial institutions use this as a tool to secure themselves against risks based on their perception of the business.
2	High Fee and Charges	Upfront fees charged by the bank while processing of the loan and the charges for various transactions during the existence of the facility has a medium to low impact on the decision making. Although the quantum of charges would not vary much, the procedures for calculations differ from fixed percentage of loan amount, flat rate to a mix of both for different heads.
3	Heavy Documentation	Audit reports, Various tax returns, entity and owner proofs, detailed stock statements, sundry debtors or creditors detail, etc are required to process loans. Further repeated requirements for documents are also faced by the firms irrespective of the loan amount. This could result into loan application withdrawal.
4	Delay in Processing	Delay in processing as perceived by the borrower is the extra time taken for processing the loan application in order to receive the funds as compared to the expected time as informed by the representative of the lending institution. This could result into the firm withdrawing their application for loan.
5	Collateral	It is the security required by the lender against the facility provided so as to safeguard the institution's interest in case of a default by the borrower. The collateral is taken as a % of funds provided and is decided upon the perceived risk of the firm by the financial institutions.
6	Books of Accounts	It is an important aspect considered by the lender to understand the way; a firm is conducting its business and whether the financial processes are healthy and sound. Various ratios are used to arrive at the decision. This would include financial statements like balance sheet, P&L statement, trading account details, stock and inventory management details, etc.
7	Sales Turnover	The gross total receipt of the firm is the sales turnover considered for funding and the quantum of funds to be provided are calculated a percentage of the sales turnover. Thus a firm could receive funds less than requested, if the gross sales receipts are not recorded properly.

contd. table 1

<i>Sr. No.</i>	<i>Factor</i>	<i>Description and its probable impact on borrowing decision</i>
8	Improper Business Planning	The business plan of a firm is an indicator of how the promoter's are looking into the business for the future and hence if the quantum of funds based on sales turnover is less, the business plan is considered by the financial institutions to cover the gap.
9	Owner's Credibility	The reputation of the firm and its owner is an aspect taken in account while processing the loan application and as such, if the owner is involved into illegal activities, the financial institutions would reject the loan application.
10	Past Credit Performance	The repayment history of any loan taken earlier is an indicator of the stability and intention of the borrower in terms of repayment of the funds borrowed and hence the lenders consider it to be an important parameter.
11	Projects by New Business Entities	There is no track of performance or loan repayment and hence banks have to depend on the business plan and the performance of other companies in the same segment. Also the owner/promoter's credibility and personal financial strength is considered while processing the loan application.

It has been observed that the response to personal interview based questionnaire is much higher than the web based or mail based surveys (Corbetta 2003; Babbie 2010). The owners/managers were asked the questions related to financial factors and were requested to respond, based upon their experiences while accessing funds from formal sources in the context of awareness of government initiatives, and to rate the questions on a five-point Likert scale. (Brace 2008) The Likert Scale is a psychometric scale where the feelings of the respondent about a question from Strongly Agree to Strongly Disagree with neutral or no response at the centre of the scale, is recorded.

The data collected was then tested for reliability using Cronbach's alpha test. The test measures the consistency of the responses received to the various questions asked in the questionnaire and indicates the reliability of the data for the underlying construct of the questionnaire and their correlation. Any value over 0.8 indicates excellent reliability. In this case, the test resulted into a value of 0.905, thus indicating that the construct of the question and the responses received were highly correlated and the data was reliable for further testing.

The entire sample was further divided into two groups based on the response to the question about awareness of government policies i.e. aware owner/ manager and unaware owner/ manager of enterprises. The same was analysed using the Levene's test to find out, if any significant difference exists in the perception of the two groups. Also, ranking analysis was done on the entire sample and the sub-samples to provide the order of severity and observe the difference in perception of the identified financial factors basis the awareness of government schemes and policies.

Ranking analysis was done using responses of the owner/manager to each question on Likert scale. Weights were applied to the response as follows: 1 for Strongly Disagree, 2 for Disagree, 3 for Neutral, 4 for Agree and 5 for Strongly Agree. The weights were then added for each question in the questionnaire to arrive at the total weight for the entire population and the two groups. The sum total of weights for each question was then divided by the population size to arrive at the mean for each question. The financial factors were then ranked in descending order, based upon the calculated mean from highest to lowest for

the entire sample and the two groups. Based on the rankings, the results were obtained for achieving the purpose of the paper. Table 2 shows the demographic characteristics of the owners/managers of MSMEs in the sample considered.

Table 2
Demographic Characteristic of the Sample Population

Demographic characteristics	Demographic variables	Nos.	Aware n = 62		Nos.	Unaware n = 58		Total n = 120	
			%	%		%	%	Nos.	%
Type of Enterprises	Micro	24	39%	20%	28	48%	23%	52	43%
	Small	34	55%	28%	27	47%	23%	61	51%
	Medium	4	6%	3%	3	5%	3%	7	6%
Gender	Male	43	69%	36%	45	78%	38%	88	73%
	Female	18	29%	15%	13	22%	11%	31	26%
	Male and Female	1	2%	1%	0	0%	0%	1	1%
Education	SSC (10th)	0	0%	0%	0	0%	0%	0	0%
	HSC (10+2)	1	2%	1%	2	3%	2%	3	3%
	Under – Graduate	9	15%	8%	8	14%	7%	17	14%
	Graduate	19	31%	16%	27	47%	23%	46	38%
	Post- Graduate	19	31%	16%	13	22%	11%	32	27%
Product	Professional Studies	14	23%	12%	8	14%	7%	22	18%
	Textile	24	39%	20%	14	24%	12%	38	32%
	Metal	15	24%	13%	12	21%	10%	27	23%
	Plastic	6	10%	5%	12	21%	10%	18	15%
	Gems	9	15%	8%	6	10%	5%	15	13%
	Electrical	4	6%	3%	3	5%	3%	7	6%
	Machine parts	2	3%	2%	3	5%	3%	5	4%
	Chemical		0%	0%	4	7%	3%	4	3%
	Wood	1	2%	1%	2	3%	2%	3	3%
	Paper	1	2%	1%	1	2%	1%	2	2%
Food		0%	0%	1	2%	1%	1	1%	

Source: Created by Authors' (2016)

The research sample consists of type of enterprises, gender, education and product manufactured as demographic indicators. Out of 120 manufacturing units studied, 52 (43 percent) were Micro, 61 (51 percent) were small and 7 (6 percent) were medium enterprises of the entire sample respectively. There were 73 percent of owners/ managers were male, 26 percent were female where as 1 percent of the total firm had both male and female owners managing the firm. With 120 total respondents, the distribution of the education level is as follows: 3 (3% percent) had high school education, 17 (14 percent) had under graduate, 46 (38%) had graduates, 32 (27 percent) had post graduates and 22 (18 percent) had professional

degree. Out of 120 sample units, 98 of the firms are into manufacturing of textile, metal, Plastic and Gem products respective, which is 81.67% of the total sample population. In response to the question regarding awareness of government policies and schemes for MSMEs, the following was observed out of the 120 manufacturing enterprises, 51.67% of units were aware and gave responded in yes to the question asked. Awareness in small enterprise owners/ managers was more as compares to owners/managers of micro enterprises. 24 out of 62 (less than 50%) Micro enterprise owners were aware about government policies and schemes. On the other hand, 34 out of 62 (more than 50%) Small enterprise owners were aware. Similarly, less than 50% of the male owners as compared to more than 50% of the female owners were aware about the government policies and schemes.

6. ANALYSIS AND DISCUSSION

The literature review and the 120 owner/manager of surveyed manufacturing units disclosed that they face financial problem while trying to sustain their business. They highlighted that while accessing funds from banks they come across various financial factors that act as barriers namely; Interest rate, fee and charges, documentation, delay in processing, collateral, books of accounts, sales turnover, credibility of owners, improper business planning, past credit performance and initial funding for new project.

One of the major parts of the objective was to find if any significant difference existed in the perception of the owners/managers towards various financial factors. Levene's test for equality of Variances followed by the t-test for equality of mean was calculated.

Table 3 shows that, of all the selected factors that have an impact on the ability to access the funds, the perception of the respondents towards the factor "*Sales turnover or performance of the enterprise affects the probability of getting funds from the bank / financial institutions*" differ. $p < 0.05$ in the t-test results for this factor. The t-value is 2.88 and 2.84 and p-value is 0.000, which indicates that the sales turnover is a factor on which, the perception of both the groups is significantly different. Thus, the null hypothesis for this factor has been rejected whereas it has been accepted for the remaining 10 factors.

Thus, it can be concluded from the result of levene's test that there is no significant difference between the perceptions of the respondents regarding the financial factors that are obstacles while MSMEs are trying to access the funds irrespective of whether they are aware about various government policies and schemes or not.

6.1. Rank Analysis

Levene's test revealed that the difference in the perception towards the identified financial factors was not significant between the groups. However to have a deeper understanding of the perception, Ranking analysis was performed on the data collected. The sample was divided into two groups based on response of the owners/ managers to the question "Is the MSME aware about various government policies and schemes?" on a **Yes** or **No** option.

The ranking was done for 3 groups.

6.1.1. Group 1- Consisted responses of the entire sample of 120 units;

6.1.2. Group 2 - Consisted responses of 62 firms, whose owners/managers were aware of the government policies and schemes;

Table 3
Test for Equality of Variances in Perception of Financial Factors

Accessibility of funds for New projects	Loan Repayment track / Past Credit Performance	Owner's Creditability / Reputation	Improper Business Planning	Gross Sales Turnover / Receipt	Books of Accounts / Financial Statements	Collateral / Security	Delay in Application Processing	Heavy Documentation	High Fee and Charges	High Interest Rate	F	Levene's Test for Equality of Variances	t-test for Equality of Means
1.03	0.61	0.02	0.01	15.26	0.55	0.01	0.03	0.03	3.34	1.20			
0.20	1.36	-0.64	0.22	-2.84	-0.11	-0.60	1.02	0.96	-1.66	-0.05			
118.00	111.10	118.00	116.84	118.00	117.99	118.00	118.00	115.44	118.00	117.12	118.00	115.30	df
0.31	0.44	0.88	0.91	0.00	0.46	0.94	0.86	0.86	0.07	0.28			P
0.03	0.20	-0.11	0.04	-0.37	-0.02	-0.10	0.19	0.15	-0.27	-0.01			Mean Diff.
0.16	0.14	0.17	0.18	0.13	0.21	0.17	0.19	0.15	0.16	0.17			Std. Error Difference
Accepted	Accepted	Accepted	Accepted	Rejected	Accepted	Accepted	Accepted	Accepted	Accepted	Accepted			Null Hypo. Accepted/Rejected

Source: Created by Authors. EVNA¹ (Equal Variances not assumed), EVA² (Equal variances assumed)

6.1.3. Group 3 - Consisted responses of 58 firms, whose owners/ managers were unaware of the government policies and schemes.

Each of the factors was then ranked for each group. First ranking was given to the factor with highest mean followed by rank 2 to the next factor having highest mean and so on. The procedure was repeated for all the three groups to find out the order of severity of financial factors based upon awareness from most severe to least severe factors for the two groups and the entire group.

Table 4 shows ranking of the total sample size. Out of 11 financial factors sales turnover, past credit history of the firm and heavy documentation for loan application has most important factor during accessing funds for banks despite of government taken many of policies initiatives towards easy loan to MSME sector.

Table 4
Ranking of Factors for Total Sample Size

<i>Financial Factor</i>	<i>Total Weight</i>	<i>Weighted Mean</i>	<i>Ranking</i>
Sales Turnover	544	4.53	1
Past Credit Performance	519	4.33	2
Heavy Documentation	518	4.32	3
New Project	513	4.28	4
Delay in Processing	498	4.15	5
Collateral	484	4.03	6
Interest	465	3.88	7
Owner's Credibility	463	3.86	8
Fee and Charges	451	3.76	9
Books of Accounts	400	3.33	10
Improper Business Planning	379	3.16	11

Source: Author's calculations

Table 5 and Table 6 show ranking of financial factors for the group aware and unaware respectively. It can be seen that the financial factors are perceived differently by the respondents upon their knowledge and awareness of government initiatives for MSMEs.

Table 5
Ranking of Factors for Group Aware of Government Initiatives

<i>Financial Factor</i>	<i>Total Weight</i>	<i>Weighted Mean</i>	<i>Ranking</i>
Past Credit Performance	274	4.42	1
Heavy Documentation	272	4.39	2
Sales Turnover	270	4.35	3
New Project	266	4.29	4
Delay in Processing	263	4.24	5
Collateral	247	3.98	6
Interest	244	3.94	7
Owner's Credibility	236	3.81	8
Fee and Charges	229	3.69	9
Books of Accounts	206	3.32	10
Improper Business Planning	197	3.18	11

Source: Author's calculations

Table 6
Ranking of Factors for Group Unaware of Government Initiatives

<i>Financial Factor</i>	<i>Total Weight</i>	<i>Weighted Mean</i>	<i>Ranking</i>
Sales Turnover	274	4.72	1
New Project	247	4.26	2
Heavy Documentation	246	4.24	3
Past Credit Performance	245	4.22	4
Collateral	237	4.09	5
Delay in Processing	235	4.05	6
Owner's Credibility	227	3.91	7
Fee and Charges	222	3.83	8
Interest	221	3.81	9
Books of Accounts	194	3.34	10
Improper Business Planning	182	3.14	11

Source: Author's calculations

It can be seen that firms which are aware about government initiatives perceived that past credit payment history of the firm and lengthy and heavy documentation for the loan application are most important factor whereas firms that are unaware about schemes, sales turnover is a most important barrier or obstacle during accessing funds from banks and other financial institutions. Also, collateral is perceived as a major hurdle by the unaware group as compared to the aware group due to lack of knowledge about schemes providing loans with no collateral requirement.

Table 7 shows the comparison of the ranking between the all three groups. It can be seen that the top factors for the groups, irrespective of the knowledge of the various government initiatives for the sectors,

Table 7
Rank Comparison of the three groups

<i>Financial Factors</i>	<i>Rank Comparison</i>		
	<i>Aware Group</i>	<i>Unaware Group</i>	<i>Overall</i>
Sales Turnover	3	1	1
Past Credit Performance	1	4	2
Heavy Documentation	2	3	3
New Project	4	2	4
Delay in Processing	5	6	5
Collateral	6	5	6
Interest	7	9	7
Owner's Credibility	8	7	8
Fee and Charges	9	8	9
Books of Accounts	10	10	10
Improper Business Planning	11	11	11

Source: Author's calculations

are sales turnover, past credit performance, heavy documentation and the vintage of the project followed by processing delays and collateral. Interest rates, fee and charges on loan processing and collateral have been perceived as less severe factors due to government providing subsidies and collateral free loan schemes i.e. CGTMSE, PMEGP and CLCSS, etc.

Thus, it can be said that there is no significant difference, as indicated by the Levene's test, between the perception of the two groups, however the ranking analysis reveals that the two groups have differences in perception towards the order of severity of the identified financial factors and its impact on access to funds, hence the change in ranking based on their level of awareness.

7. CONCLUSIONS AND RECOMMENDATIONS

MSMEs have been playing a very important role in Indian economy. Also, the government has been supportive of MSMEs and have been taking initiatives for the betterment of the sector. It is observed from the survey that the population is equally distributed across different education level, gender or enterprise type irrespective of the awareness of the government initiatives. However, the results of the survey conducted show that almost half of the sector was unaware about the various initiatives taken. Also the awareness level in small enterprises was more than the awareness level in micro enterprises.

Levene's test leads to conclusion that both the group have similar opinions on the effect of the factors and as such no significant difference was noted on 10 out of 11 factors identified. However, on further analysis of the recorded responses of the survey, it was seen that the difference in the perceived order of severity or impact on accessibility of funds was observed when these factors were ranked. Both the group feel that all these eleven factors i.e. sales turnover, past payment history, heavy documentation, Interest rate, fee and charges, delay in processing, collateral, books of accounts, credibility of owners, improper business planning and initial funding for new project are growth barriers which play an important role during availing loan facility from banks. These barriers impact negatively on the manufacturing firms' growth. The result shows that past credit history of the firm, sales turnover and heavy documentation are the top most important factors.

However, when MSMEs try to access funds, past credit history and books of account are important factors considered by financial institutions as they assess the risk based on the availability of proper information of firm's sales turnover, past credit history, owner's credibility, etc. Depending on assessment of these factors, the financial institutions may ask for more collateral or charge a rate of interest that could be higher for firms with more perceived risk as compared to firms that are perceived as less risky. The problem is more severe in the case of new projects as they do not have any past credit history or books of accounts.

It can be further concluded that in India, despite the efforts of local and central government to provide a better financial infrastructure in terms of several schemes and policies for the development of the MSME sector, the collective impact has been less than desirable and problem of low access to formal bank credit continues to exist. As per the Survey done by IFC in 2012, the potential demand for finance in Indian MSME sector is estimated to be INR 27.9 Trillion of which only INR 7.0 Trillion is met by formal sources. The huge gap of INR 20.9 Trillion in Indian MSME sector clearly indicates that the enterprises find it difficult to access funds.

Most of MSME manufacturing firms are either unaware or do not have sufficient information and knowledge about these initiatives. Also lack of information on availability of alternatives source of finance results into dependency on informal sources and thus they end up paying higher rate of interest and pledge their securities.

The government and its various departments should do intense campaign for promoting their financial and non-financial policies and initiatives to the stakeholders of the MSME sector. It is more important for the sector to realise that there are options like collateral free loans, subsidised credit facilities, financial support for various marketing activities, etc. However, efforts need to be made from all the stakeholders like owners/ promoters, financial institutions and the government departments. The financial institutions should simplify their procedures for faster disbursement of loan applications whereas the MSME should maintain proper books of accounts audited by external team for providing symmetric information of their enterprises.

REFERENCE

- Abe, M., Troilo, M., & Batsaikhan, O. (2015), Financing small and medium enterprises in Asia and the Pacific. *Journal of Entrepreneurship and Public Policy*, 4(1), 2 – 32.
- Aldaba, R. M. (2011), SMEs Access to Finance: Philippines. In Harvie, C., S. Oum and D. Narjoko (eds.), Small and Medium Enterprises (SMEs) Access to Finance in Selected East Asian Economies (pp. 291-350). ERIA Research Project Report 2010-14, Jakarta: ERIA.
- Allen, F., Chakrabarti, R., De, S., Qian, J. & Qian, M. (2012), Financing firms in India. *Journal of Financial Intermediation*, 21(3), 409 - 445.
- MSME. (2015), Annual Report 2014-15, Ministry of Micro, Small & Medium Enterprises, Government of India.
- Assibey, E. O., Bokpin, G.A. & Twerefou, D.K. (2012), Microenterprise financing preference. *Journal of Economic Studies*, 39(1), 84 – 105.
- Assibey, E. O., Bokpin, G.A. & Twerefou, D.K. (2012), Microenterprise financing preference. *Journal of Economic Studies*, 39(1), 84 – 105.
- Babbie, E. (2010), The Practice of Social Research. 12th ed., Cengage Learning, Farmington Hills, MI.
- Babu, R., Bandeah, CH., & Venkateswarlu, M. (2014), Role of Micro, Small and Medium Enterprises in Indian Economic Development. *Indian Journal of Applied Research*, 4(4), 72 - 77.
- Beck, T., Asli Demirguc-Kunt & Levine, R. (2005), SMEs, Growth, and Poverty: Cross-Country Evidence. *Journal of Economic Growth*, 10(3), 199 – 229.
- Beck, T., Asli Demirguc-Kunt, Laeven, L. & Maksimovic, V. (2006), The Determinants of Financing Obstacles. *Journals of International Money and Finance*, 25(6), 932-952.
- Berger, A.N. & Udell, G.F. (1995), Relationship Lending and Lines of Credit in Small Firm Finance. *Journal of Business*, 68(3), 351-382.
- Bhalla, A. & Kaur, M. (2012), SMEs' Access to Finance: An Analysis of Attitude and Decision-making Criteria of Commercial Banks. *Asia-Pacific Journal of Management Research and Innovation*, 8(1), 69 –76.
- Biswas, A. (2014), Financing Constraints for MSME sector. *International Journal of Interdisciplinary and Multidisciplinary Studies*. 1(5), 60 – 68.
- Brace, I. (2008), “Questionnaire Design: How to Plan, Structure and Write Survey Material for Effective Market Research”, Replika Press Pvt Ltd, New Delhi [online]: https://books.google.co.in/books/about/Questionnaire_Design.html?id=0r8xOI5rBZoC&redir_esc=y

- Circular of Reserve Bank of India, RBI/2014-15/573, FIDD.CO.Plan.BC.54/04.09.01/2014-15. [online]<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/PSLGUID0A65BF4E0A884F60999E748C58EA7F88.PDF> (Accessed 23 April, 2015).
- Coad, A. & Tamvada, J. P. (2012), Firm growth and barriers to growth among small firms in India. *Small Business Economics Journal*, 39, 383 – 400.
- Cook, P. (2001), Finance and Small and Medium-Sized Enterprise in Developing Countries. *Journal of Developmental Entrepreneurship*, 6(1), 17.
- Corbetta, P. (2003), Social Research: Theory, Methods and Techniques. Sage, Thousand Oaks, CA.
- Daniel, N. W. & Willy, M. M. (2015), Factors Influencing Access to Finance by Micro, Small and Medium Enterprises in Meru County, Kenya. *International Journal of Economics, Commerce and Management*, 3(4), 1-15.
- El-Khasawneh, B. S. (2012), Challenges and remedies of manufacturing enterprises in developing countries. *Journal of Manufacturing Technology Management*, 23(3), 328 – 350.
- Fielden, S. L., Davidson, M.J. & Makin, P.J. (2000), Barriers encountered during micro and small business start-up in North-West England. *Journal of Small Business and Enterprise Development*, 7(4), 295 – 304.
- Gangata, K. & Matavire, E.H.M. (2013), Challenges facing SMEs in accessing finance from financial institutions: The case of Bulawayo, Zimbabwe. *International Journal of Applied Research and Studies*, 2(7), 1-10.
- Gautam, V. & Vaidya, R. (2014), Growth and finance constraints in Indian manufacturing firms. *Applied Financial Economics*, 24(1), 31 – 40.
- Ghatak, A. (2012), A Study on the Bank Financing of SMEs in India. *Research Journal of Social Science & Management*, 2(7), 104 - 109.
- Gill, A. and Biger, N. (2012), Barriers to small business growth in Canada. *Journal of Small Business and Enterprise Development*, 19(4), 656 – 668.
- Goyal, K.A., Gupta, N., and Gupta, N. (2012), An overview of Sickness in Micro, Small & Medium Enterprises in India. *Pacific business Review International*, 5(5), 29 - 35.
- Imraan, G. B. (2009), Improving SME Access to Finance in the North West Province of South Africa. *Dissertation for the degree Master of Business Administration*, 14-53, North West University, Potchefstroom.
- Irwin, D. & Scott, M. J. (2012), Barriers faced by SMEs in raising bank finance. *Journal of Manufacturing Technology Management*, 23(3), 328 – 350.
- Islam, M.S. (2009), Start-up and growth constraints on small-scale trading in Bangladesh. *Journal of Chinese Entrepreneurship*, 1(3), 227 – 239.
- Jahanshahi, A.A., Nawaser, K., Khaksar, S.M.S. & Kamalian, A.R., (2011), The Relationship between Government Policy and the Growth of Entrepreneurship in the Micro, Small & Medium Enterprises of India. *Journal of Technology Management & Innovation*, 6(1), 66-76.
- Jaswal, S. S. (2014), Problems and prospects of micro, small, Medium Enterprises (MSME's) in India. *Innovative Journal of International Research and Studies*, 3(5), 153 – 156.
- Kathuria, L.M. & Mamta, (2012), Understanding Financing Practices and Constraints of Small and Medium Enterprises in Textile and Clothing Sector: An Empirical Study. *Asia-Pacific Journal of Management Research and Innovation*, 8(3), 303 – 314.
- Kimutai, C. J. & Ambrose, J. (2013). Factors Influencing Credit Rationing by Commercial Banks in Kenya. *International Journal of Humanities and Social Science*, 3(20), 244 - 251.
- Kundid A. & Ercegovac R. (2011), Credit rationing in financial distress: Croatia SMEs' finance approach. *International Journal of Law and Management*, 53 (1), 62 – 84.
- Lahiri, R. (2012), Problems and Prospects of Micro, Small and Medium Enterprises in India in the era of Globalization. *International Conference on the Interplay of Economics, Politics and Society for Inclusive Growth*, 3 – 6, Thimphu, Bhutan.

- Lokhande, M. A. (2011), Evolution of the MSMEs in India. *Journal of Social and Development Sciences*, 1(2), 79-90.
- Madhani, P. M. (2012), SME's as Growth Driver of Indian Economy: Strategic HR Issues and Perspectives. *Paper presented at Business Strategies and India's Economic Growth Conference (RBCON - 2012)*, 11 February 2012. Ahmedabad, India. Retrieved From: <http://www.ssrn.com/abstract=200482orhttp://dx.doi.org/10.2139/ssrn.2004826>.
- Mambula, C. J. & Sawyer, F. E. (2004), Acts of entrepreneurial creativity for business growth and survival in a constrained economy. *International Journal of Social Economics*, 31(1/2), 30 – 55.
- Mishra, B. (2013), Financing of Micro, Small and Medium Enterprise: Challenges and Strategies. *Asia Pacific Journal of Management & Entrepreneurship Research*, 2(2), 129-138.
- Naidu, S. & Chand, A. (2012), A comparative study of the financial problems faced by Micro, Small and Medium Enterprises in the Manufacturing sector of Fiji and Tonga. *International Journal of Emerging Markets*, 7(3), 245 – 262.
- Naser, A. V. (2013), A Critical Evaluation of the Contributions Made By The Micro, Small and Medium Enterprises in India Economy. *International Journal of Marketing, Financial Services & Management Research*, 2(7), 151-157.
- Nirza, D.G.F. & Charbel, J.C.J. (2011), Barriers faced by MSEs: evidence from Mozambique. *Industrial Management & Data Systems*, 111(6), 849 – 868.
- Okpara, J. N. (2011), Factors constraining the growth and survival of SMEs in Nigeria. *Management Research Review*, 34(2), 156 – 171.
- Ou, C., & Haynes, G. W. (2006). Acquisition of Additional Equity Capital by Small Firms – Findings from the National Survey of Small Business Finances. *Small Business Economics*, 27(2), 157-168.
- Parada, M., Sakya, A., Seitz, K. & Shankar, S. (2010), Report on Evaluating Access to Finance Constraints for Micro, Small & Medium Enterprises in India. *International Policy Studies / Masters in Public Policy Practicum*, 16-45, Stanford University. <https://publicpolicy.stanford.edu/publications>.
- Patil, S.G. & Chaudhari, P.T. (2014), Problems of Small Scale Industries in India. *International Journal of Engineering and Management Research*, 4(2), 19 - 20.
- Patra, G.K. & Misra, P. Ch. (2003), Institutional Financing for Small scale Industries (pp. 8-20). Discovery Publishing House, New Delhi, India, First edition.
- Rajasthan MSME Policy (2015), [online] <http://resurgent.rajasthan.gov.in/uploads/media-centre/publication/rajasthan-MSME-policy-2015.pdf>
- Rao, K.S. & Noorinasab, A.R. (2013), IPR, IPR Awareness among MSMEs in India. *IOSR Journal of Business and Management*, 15(2), 13-21.
- Report of the Committee set up to examine the financial architecture of the MSME sector. http://sme.gov.in/WriteReadData/DocumentFile/2015_02_MSME_Committee_report_Feb_2015.pdf. Accessed Feb 2015.
- Sandhu, N., Hussain, J. & Matlay, H. (2012), Barriers to finance experienced by female owner/managers of marginal farms in India. *Journal of Small Business and Enterprise Development*, 19(4), 640 – 655.
- Sharma, R. & Afroz, Z. (2014), Growth and Performance of MSME's in Present Scenario for the Development of India. *International Journal of interdisciplinary and Multidisciplinary Studies*, 1(5), 136-143.
- Singh J. & Singh D. (2014), Problems Related to the Financing of Small Firms in India. *International Journal of Innovative Research & Development*, 3(1), 317- 320.
- Singh, S. & Janor, H. (2013), Determinants of SMEs Financing Pattern in India-A Rotated Factor Analysis Approach. *International Journal of Economics and Management*, 7(2), 314 – 334.
- Singla, A. & Grover, P. (2012), Growth and Financing of MSMEs: A Case Study of Punjab and Haryana. *Asia-Pacific Journal of Management Research and Innovation*, 8(3), 315 – 321.
- Small Business financing through MUDRA BANK - the way forward Nurturing the start -ups for building the economy”, Report Prepared by ASSOCHAM INDIA and SMERA Rating Limited, pp. 6–32, (2015).
- Subramanyam, P. & Reddy, B. R. (2012), Micro, Small and Medium Enterprises in India – An Overview. *VSRD International Journal of Business and Management Research*, 2(11), 532 – 539.

Perception towards Financial Factors – A Comparison between MSMEs Owners / Managers:

- Talodhikar, V. P., Shrouty, V. & Hemant, B.R. (2013), Review of SMEs in India, Global Scenario and Strategy to Enhance Quality & Productivity. *International Journal of Engineering and Innovative Technology*, 3(5), 227-279.
- Tambunan, T. (2008), SME development, economic growth, and government intervention in a developing country: The Indonesian story. *Journal of International Entrepreneurship*, 6, 147–167.
- Uma, P. (2013), Role of SMEs in Economic Development of India. *Asia Pacific Journal of Marketing & Management Review*, 2(6), 120 – 125.
- Yadav, R. J. (2012), MSME Finance: Viability Study from Bankers' Perspective. *International Journal of Advanced Research in Management and Social Sciences*, 1(1), 51–69.