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ANDHRA PRADESH STATE FINANCIAL CORPORATION FOR THE DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) - A STUDY OF TIRUPATI BRANCH IN CHITTOOR DISTRICT

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ABSTRACT

Small and Medium Enterprises (SMEs) are one of the fastest growing small and medium enterprises sector in the world. The potentialities of small and medium enterprises for developing the economy have been recognized by many countries and the promotion of small firms is regarded as a way of enabling the local population to participate actively in one's country's economic and its social development. In many countries, the small and medium enterprises sector has been playing an active role in generating employment at lower cost by establishing an entrepreneurial base even in rural and backward areas. In agriculture-based economies, the small and medium enterprises sector plays a very important role in economic and social transformation of the country by providing inputs to agriculture and related activities and to rural infrastructure development, processing agricultural outputs for domestic consumption and export, and producing goods and services for local consumption. This paper seeks to review the share of Micro, Small and Medium Enterprises (MSMEs) in the Indian economy. Andhra Pradesh State Finance Corporation, Tirupati Branch, financial assistance to promote the Micro, Small and Medium Enterprises (MSMEs) in the Chittoor District, and its impact on performance on the SMEs. An attempt is made in this research paper to find which type of problems is faced by the SMEs/entrepreneurs in general and financial problems in particular. The paper concludes the viable suggestions which are offered hereafter to improve the conditions of the SMEs and their entrepreneurs in Chittoor District, would be, it is hoped equally helpful to remedy the situation in the other districts of the state.

KEYWORDS

Role of finance in enterprises development, Andhra Pradesh State Finance Corporation, Tirupati Branch, Impact of the APSFC assistance, Problems of MSMEs, Suggestions.

INTRODUCTION

Soon after independence, India's economic plans envisaged setting up a wide spectrum of industries as a crucial development strategy to achieve self-sustaining economic growth, which would require a massive capital. In the developing countries like India, industries can no longer offer to be just the one-man show. They are now to be managed by "techno structure". Several industrial sectors stand in urgent need of modern automatic machines to enable them to produce better quality products at lower costs so as to sell them at competitive rates in International markets. Industrial growth can be spearheaded by a much needed shift of attention from pre requisites for location of enterprises, problems of dispersal, infrastructure, and entrepreneurial motivation to development of management consultancy, prompt decision-making and advisory services for industries in India¹. All this improvement requires tremendous credit for long, medium and short periods.

Small and medium enterprises are one of the fastest growing small and medium enterprises sector in the world. The potentialities of small and medium enterprises for developing the economy have been recognized by many countries and the promotion of small firms is regarded as a way of enabling the local population to participate actively in one's country's economic and its social development. In many countries, the small and medium enterprises sector has been playing an active role in generating employment at lower cost by establishing an entrepreneurial base even in rural and backward areas. In agriculture-based economies, the small and medium enterprises sector plays a very important role in economic and social transformation of the country by providing inputs to agriculture and related activities and to rural infrastructure development, processing agricultural outputs for domestic consumption and export, and producing goods and services for local consumption.

The Micro, Small and Medium Enterprises (SMEs), which account for over 90 Per cent of enterprises in all countries, are an important source of output and employment. They employ 33 per cent of formal sector workers in low-income countries and 62 per cent of such workers in high-income countries. Because poor countries have large informal economies, dominated by micro-businesses, the SMEs portion of total employment is much higher. In India, for example, 86 per cent of the labour force is employed in the informal sector, including farming. In India, there are 13 million SMEs employing around 30 million people, creating one million jobs per annum, contributing 45 - 50 per cent of exports and 40 per cent to industrial output and producing more than 8,000 products. Furthermore, it has been estimated that every million rupees of investment in fixed assets in this sector produces 4.62 million rupees worth of goods or services,

and generates employment for 40 persons. In 2006-07 there were 12.84 million SMEs in the country employing about 31.25 million people². It indicates that the SMEs have become the backbone of the Indian manufacturing sector and the engine of economic growth. With the keen competition among the emerging market economies to accelerate the economic growth, a healthy and vibrant SME sector can play a significant role in contributing to the sustainable and equitable development of a nation.

ROLE OF FINANCE IN ENTERPRISES DEVELOPMENT

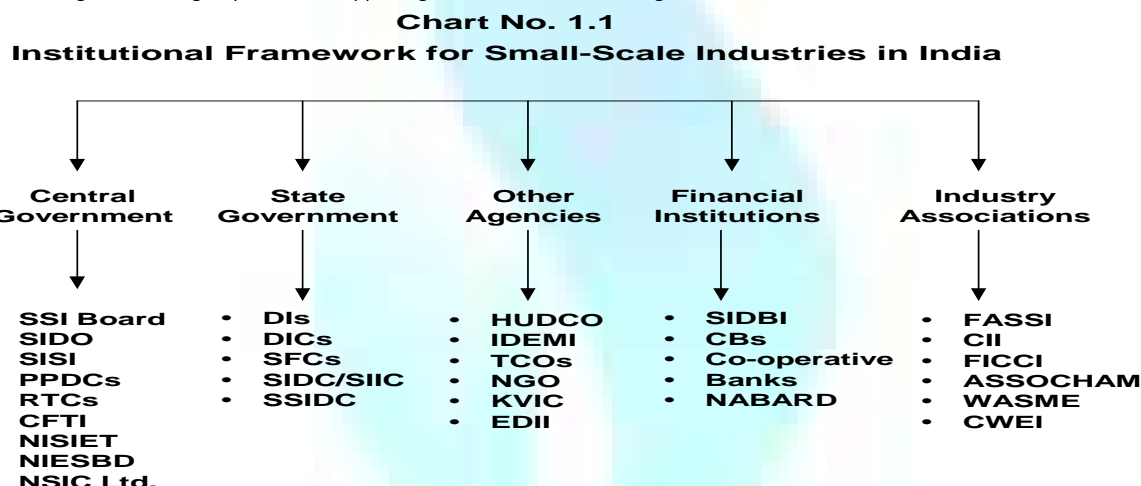
Finance is the base of all economic operations. It is a new input of production, distribution and development in the SMEs concerns the supply of funds regulates their activities. In their absence either programmes would not be completed or the concerns would not be able to make fair returns to their share-holders who are the owners. Therefore the financial requirements of an enterprise need prompt and proper attention³.

For the promotion, development and effective running of an enterprise, adequate finances are a fundamental prerequisite. A lot of money is required as fixed capital to procure the necessary land and buildings, plant and machinery, furniture and fixtures etc. In addition, a firm has also to procure necessary funds for financing its working capital for the purpose of purchase of raw-material, payment of wages, salaries, rent, interest, remuneration etc. to a number of persons/institutions engaged either directly or indirectly in the production process or commercial operations of the enterprise. Whenever the management of an enterprise thinks of launching any programme of reorganization, reconstruction or expansion, the first thing that should attract its attention is finance.

INSTITUTIONAL FINANCE AND SMEs DEVELOPMENT

The SMEs concerns were procuring their financial requirements, in the early stages of industrialization in India, mainly from private finances of the proprietors, friends and relatives of proprietors, attracting public deposits and obtaining loans from commercial banks, investment trusts etc. But now the pattern of financing enterprise has changed remarkably. A large number of special financial institutions have been set up both by the Central and State Governments in order to cater to the needs of financing the SMEs viz. large, medium and small-scale. These financial institutions have been entrusted with a variety of functions and responsibilities, i.e., financing large, medium, small and micro enterprises and financing fixed and working capital. To mention a few of such institutions, the Industrial Finance Corporation of India, the Industrial Development of India, the State Financial Corporations etc, which are set up to help various enterprises and their financial needs.

Keeping in view the importance of entrepreneurs of Small and Medium Enterprises, the government of India has made considerable efforts to promote its growth during the last six decades. The strategy for its development comprises formulation and pursuance of deliberate policies for its protection and development, stepping up plan allocations, evolving and implementing various programmes for its development including extension of concessional finance, both short-term and long term, through a plethora of supporting institutions⁴. The following is the institutional framework for the SMEs in India.



Of these, SFCs are catering the needs of both short-term and long term financial requirements and managerial assistance of the SMEs.

ANDHRA PRADESH STATE FINANCIAL CORPORATION

As a part of the policy measures adopted by the Government of India in order to boost industrial development, almost all the States have established Financial Corporations in their respective states. In Andhra Pradesh "The Andhra Pradesh State Financial Corporation" (APSFC) was established on 1st November 1956 a under Special Act passed by the State Legislature with the main objective of extending financial assistance for setting up industrial units in Tiny, Small-scale and Medium-scale sectors and also service enterprises. The Industrial Development Bank of India (IDBI) and Government of Andhra Pradesh jointly promote the APSFC. Since the date of inception, the APSFC has been playing a significant role in taking the State to its rightful place on the industrial map of the country. The Corporation has launched many entrepreneur-friendly schemes to provide term loans, working capital term loans, bridge loans and special and seed capital assistance to suit the needs of various categories of entrepreneurs⁵. The Corporation has completed fifty five years of service in industrial financing of tiny, small and medium-scale sector units and contributing to the balanced regional development of the state⁶. The Small and Medium Enterprises sector has been its thrust area, which is evidenced from the significant amount of sanctions and disbursements channelised by it to this vital sector⁷.

Andhra Pradesh embarked upon a Mission, which was, to be at the forefront of enterprises development in the country by the year 2020. But fulfilling this Mission needs not only ideas and dreams but also a lot of hard, work and realistic planning guided by well spelt out policy directions. In 1995, the State Government enunciated its Industrial Policy 'Target 2000' which set the tone for adopting a new approach to the SMEs development in the liberalized economy. One of the objectives of this New Industrial Policy was to promote the growth of small and medium enterprises to help the small entrepreneurs.

The present article is concerned with the small and medium enterprises and entrepreneurs in Chittoor district of Andhra Pradesh, the study area. This district is one of the industrially backward districts in the state. In all 120 small and medium enterprises and entrepreneurs were identified and studied. The reliable information was collected from the sample enterprises. The performance of an enterprise cannot be looked into apart from that of the entrepreneur as it depends very much upon his efforts, hard work and commitment. In the present study, whether it is that of the entrepreneur or of the enterprise, the evaluation is made on the basis of group performance rather than that of an individual enterprise or entrepreneur. The success of existing enterprises and their growth fosters entrepreneurship in diversified areas. Therefore an effort has been made here to observe the extent of development made by the SMEs in the study district.

The present study entitled "Role of Andhra Pradesh State Financial Corporation for the Development of Small and Medium Enterprises - A Study of Tirupati Branch in Chittoor District" is a modest attempt is made. It makes an attempt to highlight the financial problems faced by the entrepreneurs in Chittoor district and present them in the following pages.

OBJECTIVES

The present study has the following objectives:

1. To study the role of Andhra Pradesh State Financial Corporation, Tirupati Branch in promoting entrepreneurship in the Small and Medium Enterprises Sector in the Chittoor District;
2. To assess the impact of Andhra Pradesh State Financial Corporation, Tirupati Branch financial assistance on Small and Medium Enterprises in the study area; and
3. To identify the problems and prospects of enterprises / entrepreneurs in the Small and Medium Enterprises Sector and to offer suggestions for promoting entrepreneurship in the sector.

METHODOLOGY

In view of the specific objectives of the present study, it uses primary data. It contemplates a one-pronged approach. It focuses attention on a sample of 120 enterprises / entrepreneurs financed by the APSFC in Chittoor District of Andhra Pradesh.

SAMPLE DESIGN

The present study adopts sample of 20 per cent of the total entrepreneurs who are assisted by the Andhra Pradesh State Financial Corporation, Tirupati Branch in Chittoor District during the period from 1999 to 2009 has been chosen. The sample includes only the entrepreneurs who got financial assistance from Andhra Pradesh State Financial Corporation. Great care has been taken to cover all the entrepreneurs of all the categories of small and medium enterprises in the district. The entrepreneurs both men and women in the study district are listed out. There are 600 small and medium enterprises of all categories. From among them, 20 per cent of entrepreneurs who got financial support from Andhra Pradesh State Financial Corporation, Tirupati Branch are selected from all categories of small and medium enterprises in the district. Thus the total sample of the entrepreneurs comes to be 120 (600 x 20%). After a personal survey of study area and the SMEs in it, as many as 120 enterprises could be identified. They are as follows.

TABLE NO. 1: LIST OF SAMPLE ENTERPRISES

Category	No. of Enterprises
Lodge & Hotels	8
Functional Halls & Kalyanamadapam	7
Stone Crushers and Granite	27
Rice & Dall Mills	9
SSI Products	5
Marketing	5
Wood	8
Construction	4
Furniture	4
Agra & Food	13
Re traders	5
Milk	2
Printing & Packing	2
Agencies	2
Others	19
Total	120

These Enterprises as their entrepreneurs have been used as the study sample.

DATA COLLECTION

The study makes use of pre-tested schedules prepared for the entrepreneurs and collect quantitative data. The data collected from the select entrepreneurs includes their financial problems faced by them.

SIGNIFICANCE OF THE PRESENT STUDY

Entrepreneurial development is an index of the industrial development and the overall economic development of a country. The success of the economy mainly depends on entrepreneurial skills and quality, competence and performance of those involved in it. India is developing fast economically, has to find, nourish and develop competent entrepreneurship, which is very vital for its rapid industrialization. It is necessary that studies of this theme have to be continually carried out and the progress made assessed. The present micro study of small and medium enterprise sector in Chittoor District and the contribution of the Andhra Pradesh State Finance Corporation, Tirupati Branch is a modern contribution towards it.

LOAN TYPE-WISE CLASSIFICATION OF ENTERPRISES

The following Table presents the loan type-wise classification of enterprises during the study period.

TABLE NO. 2: LOAN TYPE-WISE CLASSIFICATION OF ENTERPRISES

Years	Type of Loans						Total	%
	T.L.	W.C.	S.C.	T.L. & S.C.	T.L. & W.C.	T.L., W.C. & S.C.		
1999-00	4	-	-	-	-	-	4	3.33
2000-01	3	-	-	-	-	-	3	2.5
2001-02	9	-	-	-	-	-	9	7.5
2002-03	9	1	-	-	-	-	10	8.33
2003-04	8	1	-	1	-	-	10	8.33
2004-05	6	2	-	2	-	-	10	8.33
2005-06	9	2	-	1	-	-	12	10.00
2006-07	8	5	-	2	1	-	16	13.33
2007-08	11	5	-	-	-	1	17	14.17
2008-09	16	9	-	3	-	1	29	24.17
Total	83	25	-	9	1	2	120	-
%	69.17	20.83	-	7.50	0.83	1.67	-	100.00

Source: Field Survey.

The above Table reveals that 83 out of the 120 enterprises (69.17 per cent) obtained term loan (TL) during the study period, followed by 25 (20.83 per cent) enterprises which got working capital loan (WCL), 9 (7.50 per cent) enterprises got both term loan and seed capital loan (SCL), 2 (1.67 per cent) enterprises got term loan, working capital loan and seed capital loan and 1 (0.83 per cent) enterprise got both term loan and working capital loan. The figures show that most of the enterprises got term loans.

LOAN PURPOSE-WISE CLASSIFICATION OF ENTERPRISES

The following Table presents the loan purpose-wise classification of the sample enterprises which were assisted by the APSFC during the study period.

TABLE NO. 3: LOAN PURPOSE-WISE CLASSIFICATION OF ENTERPRISES

No.	Purpose	No. of Enterprises	Percentage
1	Establishment of new unit	83	69.17
2	Expansion of the existing unit	37	30.83
3	Diversification	-	-
4	Rehabilitation of sick unit	-	-
5	Replacement/modernization of existing unit	-	-
6	Power generation	-	-
7	Overrun finance	-	-
Total		120	100.00

Source: Field Survey.

Table No. 3 above reveals that the APSFC, Tirupati Branch sanctioned loans to 83 out of the 120 sample enterprises (69.17 per cent) for establishing new enterprises, and 37 (30.83 per cent) enterprises for the expansion of existing enterprises. But there were no loans sanctioned for the diversification, rehabilitation of sick enterprises, replacement/modernization of existing enterprises, power generation and overrun finance. The figures indicate that the APSFC sanctioned loans only for the establishment of new enterprises and expansion of existing enterprises.

IMPACT OF THE APSFC ASSISTANCE

The following Table 4 exhibits the impact of the APSFC assistance on the small enterprises in different key indicators.

TABLE NO. 4: IMPACT OF THE APSFC ASSISTANCE

No.	Indicators	No. of Enterprises			
		Decrease	Constant	Increase	Total
1	Management of Human Resource	14 (11.67)	11 (9.17)	95 (79.16)	120 (100.00)
2	Management Financial Resource	8 (6.67)	14 (11.67)	98 (81.67)	120 (100.00)
3	Improvement in Product Line	14 (11.67)	17 (14.17)	89 (74.17)	120 (100.00)
4	Purchase of Raw Materials	8 (6.67)	41 (34.17)	71 (59.17)	120 (100.00)
5	Output	4 (3.33)	19 (15.83)	97 (80.83)	120 (100.00)
6	Variable Expenses	4 (3.33)	65 (54.17)	51 (42.50)	120 (100.00)

Source: Field Survey.

The above Table reveals that of the 120 sample enterprises the management of human resource of 95 (79.16 per cent) enterprises increased after obtaining loans from the APSFC, in the case of 11 (9.17 per cent) enterprises it was constant and in 14 enterprises (11.67 per cent) it decreased. The management of financial resource of 98 (81.67 per cent) sample enterprises increased after taking loan from the APSFC, it was constant in the case of 14 (11.67 per cent) enterprises, and in the case of 8 enterprises (6.67 per cent) it decreased. There was an increase in the product line of 89 (74.17 per cent) enterprises after obtaining loan from the APSFC. In the case of 17 (14.17 per cent) enterprises it was constant and in 14 enterprises (11.67 per cent) it decreased. The purchase of raw materials by 71 (59.17 per cent) enterprises increased after taking loan from the APSFC. It was constant in the case of 41 (34.17 per cent) enterprises and it decreased in 8 enterprises (6.67 per cent). The output of 97 (80.83 per cent) enterprises increased after obtaining loan from the APSFC. It was constant in the case of 19 (15.83 per cent) enterprises, and in 4 enterprises (3.33 per cent) it decreased. The variable expenses of 51 (42.50 per cent) enterprises increased after taking loan from the APSFC. They were constant in the case of 65 (54.17 per cent) enterprises and in 4 enterprises (3.33 per cent) it decreased. These figures indicate that the majority of the sample enterprises which were assisted by the APSFC are in a developing trend.

PERFORMANCE OF THE ENTERPRISES

The following Table 5 exhibits the impact of the APSFC assistance on small and medium enterprises in major key financial indicators.

TABLE NO. 5: PERFORMANCE OF THE ENTERPRISES

No.	Particulars	No. of Enterprises			
		Decrease	Constant	Increase	Total
1	Sales	10 (8.33)	-	110 (91.67)	120 (100.00)
2	Cost of Goods Sold	13 (10.83)	-	107 (89.17)	120 (100.00)
3	Gross Profit	8 (6.67)	-	112 (93.33)	120 (100.00)
4	Operating Expenses	14 (11.67)	-	106 (88.33)	120 (100.00)
5	Profits Before Interest and Tax	17 (14.17)	-	103 (85.83)	120 (100.00)
6	Net Profits	17 (14.17)	-	103 (85.83)	120 (100.00)

Source: Field Survey.

The above Table reveals that the sales of 110 (91.67 per cent) enterprises out of 120 enterprises increased after taking loan from the APSFC. In 10 (8.33 per cent) enterprises it decreased. The cost of goods sold by 107 (89.17 per cent) enterprises out of sample increased after taking loan from the APSFC, and in 13 enterprises (10.82 per cent) it decreased. The gross profit of 112 (93.33 per cent) enterprises increased after obtaining loan from the APSFC, and in 8 enterprises (6.67 per cent) it decreased. The operating expenses of 106 (88.33 per cent) enterprises increased after taking loan from the APSFC, and in the case of 14 enterprises (11.67 per cent) it decreased. The profit before interest and tax of 103 (85.83 per cent) enterprises increased after receiving loans from the APSFC, and in 17 (14.17 per cent) enterprises it decreased. The net profit of 103 (85.83 per cent) enterprises increased after taking loan from the APSFC, where as in 17 (14.17 per cent) enterprises, it decreased. These figures indicate that the majority of the sample enterprises which were assisted by the APSFC have performed well financially.

GENERAL PROBLEMS OF ENTREPRENEURS

The following Table 6 presents the general problems of the entrepreneurs who are assisted by the APSFC.

TABLE NO. 6: GENERAL PROBLEMS OF ENTREPRENEURS

No.	Problems	No. of Enterprises	Percentage
1	Non-cooperation attitude of the APSFC	15	12.50
2	Lack of Proper knowledge of the APSFC	12	10.00
3	Unfavorable terms and conditions of the APSFC	29	24.17
4	Lack of collateral security	35	29.17
5	Lack of training	26	21.67
6	All of the above	3	2.50
Total		120	100.00

Source: Field Survey.

The above Table reveals that the 35 (29.17 per cent) entrepreneurs out of the sample 120, experienced lack of collateral security. They are followed by 29 (24.17 per cent) entrepreneurs who face the unfavourable terms and conditions of the APSFC. 26 (21.67 per cent) entrepreneurs complains of lack training, 15 (12.50 per cent) entrepreneurs complained about the non-cooperation attitude of the APSFC, 12 (10.00 per cent) entrepreneurs admitted that they lacked proper knowledge of the APSFC and 3 (2.50 per cent) entrepreneurs faced all of the above problems. The figures reveal that among the general problems faced by the sample entrepreneurs lack of collateral security, unfavourable terms and conditions imposed by the APSFC, and lack of training, appear to stand out.

ENTREPRENEURS FINANCIAL PROBLEMS WHILE GETTING LOAN FROM THE APSFC

The following Table 7 presents the problems of entrepreneurs while getting loans from the APSFC.

TABLE NO. 7: ENTREPRENEURS PROBLEMS WHILE GETTING LOANS FROM THE APSFC

S. No.	Problems	No. of Entrepreneurs	Percentage
1	Inadequate sanction of amount	66	55.00
2	Discriminatory treatment of the SSIs	9	7.50
3	Procedural delay	45	37.50
Total		120	100.00

Source: Field Survey.

Table 7 reveals that 66 (55.00 per cent) entrepreneurs out of 120 faced the problem of inadequate amount sanctions loans by the APSFC, 45 (37.50 per cent) entrepreneurs faced the problem of procedural delay by the APSFC and 9 (7.50 per cent) entrepreneurs felt that the SMEs were subjected to discriminatory treatment by the APSFC. More than half of the sample entrepreneurs felt that the loan amount sanction was much less than they required. A little more than one-third of the sample found needless procedural delays by the Corporation a great hurdle.

FINANCIAL PROBLEMS

The following Table shows the financial problems of entrepreneurs who are assisted by the APSFC.

(In the following three Tables, the responses of 96 sample entrepreneurs only have been taken into consideration for all calculations, because out of the total sample of 120 entrepreneurs, only these 96 responded to the questions concerned. Why the remaining 24 entrepreneurs did not respond, it is difficult to say.)

TABLE NO. 8: ENTREPRENEURS FINANCIAL PROBLEMS

No.	Problems	No. of Entrepreneurs	Percentage
1	Shortage of Fixed capital (F.C.)	11	11.46
2	Shortage of Working capital (W.C.)	45	46.88
3	1 & 2 (F.C.) & (W.C.)	4	4.16
4	High Interest Rate	36	37.50
Total		96	100.00

Source: Field Survey.

The above Table 8 reveals that 96 (80.00 per cent) entrepreneurs out of the sample faced different financial problems. Of them 45 (46.88 per cent) entrepreneurs faced shortage of working capital, 36 (37.50 per cent) entrepreneurs found the rate of interest high, 11 (11.46 per cent) entrepreneurs faced shortage of fixed capital and 4 (4.16 per cent) entrepreneurs faced both shortage of fixed and working capital. The figures reveal that shortage of working capital and high interest rate troubled more than two thirds (81) of the sample entrepreneurs.

ORGANIZATION-WISE CLASSIFICATION OF FINANCIAL PROBLEMS OF ENTERPRISES

The following Table shows the organization-wise financial problems of enterprises which are assisted by the APSFC.

TABLE NO. 9: ORGANIZATION-WISE CLASSIFICATION OF FINANCIAL PROBLEMS OF ENTERPRISES

Problems	Organizations			Total
	Proprietorship	Partnership	Private Ltd.Co.	
Shortage of F.C.	5 (13.51)	5 (9.09)	1 (25.00)	11 (11.46)
Shortage of W.C.	10 (27.03)	34 (61.82)	1 (25.00)	45 (46.88)
Shortage of F.C. & W.C.	1 (2.70)	1 (1.82)	2 (50.00)	4 (4.16)
High rate of interest	21 (56.76)	15 (27.27)	-	36 (37.50)
Total	37 (100.00) (38.54)	55 (100.00) (57.29)	4 (100.00) (4.17)	96 (100.00) (100.00)

Source: Field Survey.

The above Table 9 reveals that out of 96 sample entrepreneurs 37 (38.54 per cent) proprietorship enterprises faced from financial problems. Of them 5 (13.51 per cent) faced shortage of fixed capital, 10 (27.03 per cent) faced shortage of working capital, 1 (2.70 per cent) enterprise faced both shortage of fixed and working capital and 21 (56.76 per cent) enterprises faced high interest rate. These problems are faced by 55 (57.29 per cent) partnership concerns too. Of them 5 (9.09 per cent) enterprises faced shortage of fixed capital, 34 (61.82 per cent) faced shortage of working capital, 1 (1.82 per cent) enterprise faced both shortage of fixed and working capital, and 15 (27.27 per cent) enterprises faced high interest rate. Further, the same problems are faced by 4 (4.17 per cent) private limited companies. Of them 1 (25.00 per cent) faced shortage of fixed capital, 1 (25.00 per cent) enterprise faced shortage of working capital, and 2

(50.00 per cent) enterprises faced both shortage of fixed and working capital. The figures reveal that more than half of the proprietorship enterprises (21) faced the problem of high rate of interest, and less than one-third (10) shortage of working capital. Nearly two-third of the partnership enterprises (34) faced shortage of working capital, and 15 or less than one-fourth high rate of interest. Two private limited enterprises faced both shortage of working and fixed capital and one each shortage of working capital and shortage of fixed capital.

ACTIVITY-WISE CLASSIFICATION OF FINANCIAL PROBLEMS OF ENTERPRISES

The following Table 10 shows the activity-wise classification of financial problems faced by the enterprise which are assisted by the APSFC.

TABLE NO. 10: ACTIVITY-WISE CLASSIFICATION OF FINANCIAL PROBLEMS OF ENTERPRISES

Problems	Activity				Total
	Trade	Manf.	Both*	Service	
Shortage of F.C.	4 (33.34)	5 (17.86)	1 (5.00)	1 (2.78)	11 (11.46)
Shortage of W.C.	6 (50.00)	13 (46.43)	7 (35.00)	19 (52.78)	45 (46.88)
Shortage of F.C. & W.C.	1 (8.33)	2 (7.14)	-	1 (2.77)	4 (4.16)
High rate of interest	1 (8.33)	8 (28.57)	12 (60.00)	15 (41.67)	36 (37.50)
Total	12 (100.00) (12.50)	28 (100.00) (29.17)	20 (100.00) (20.83)	36 (100.00) (37.50)	96 (100.00) (100.00)

Source: Field Survey.

* Trade and manufacturing.

Table 10 above reveals that out of 96 sample enterprises, 12 (12.50 per cent) which are trade enterprises are faced with financial problems. Of them 4 (33.34 per cent) are faced with shortage of fixed capital, 6 (50.00 per cent) with shortage of working capital, 1 (8.33 per cent) with both shortage of fixed and working capital and 1 (8.33 per cent) enterprise faced with high interest rate. Among 28 (29.17 per cent) manufacturing enterprises, 5 (17.86 per cent) enterprises are faced with shortage of fixed capital, 13 (46.43 per cent) faced with shortage of working capital, 2 (7.14 per cent) faced with both shortage of fixed and working capital, and 8 (28.58 per cent) enterprises faced with high interest rate. The above problems are shortage of fixed capital, 7 (35.00 per cent) enterprises are faced with shortage of working capital, and 12 (60.00 per cent) enterprises with high interest rate. Among the 36 (37.50 per cent) service enterprises, 1 (2.78 per cent) enterprise is faced with shortage of fixed capital, 19 (52.78 per cent) are faced with shortage of working capital, 1 (2.77 per cent) faced with shortage of both fixed and working capital, and 15 (41.67 per cent) enterprises are faced with high rate of interest. The figures reveal that half of the trade enterprises are faced with shortage of working capital, and 4 fixed capital. Less than half of the manufacturing enterprises are faced with shortage of working capital, and a little more than one-third high rate of interest, and the majority of both trade and manufacturing enterprises are faced with high rate of interest.

LOCATION-WISE CLASSIFICATION OF FINANCIAL PROBLEMS OF ENTERPRISES

The following Table shows the location-wise classification of financial problems faced by the sample enterprise which are assisted by the APSFC.

TABLE NO. 11: LOCATION-WISE CLASSIFICATION OF FINANCIAL PROBLEMS OF ENTERPRISES

Problems	Location				Total
	Village	Town	DHQ	IE	
Shortage of F.C.	5 (22.73)	1 (1.96)	2 (33.33)	3 (17.65)	11 (11.46)
Shortage of W.C.	11 (50.00)	18 (35.29)	3 (50.00)	13 (76.47)	45 (46.88)
Shortage of F.C. & W.C.	2 (9.09)	-	1 (16.67)	1 (5.88)	36 (37.50)
High rate of interest	4 (18.18)	32 (62.75)	-	-	4 (4.16)
Total	22 (100.00) (22.92)	51 (100.00) (53.13)	6 (100.00) (6.25)	17 (100.00) (17.72)	96 (100.00) (100.00)

Source: Field Survey.

DHC = District Head Quarters; IE = Industrial Estate.

The above Table 11 reveals that the 22 out of 96 (22.92 per cent) enterprises which are located in villages are faced with financial problems. Of them 5 (22.73 per cent) enterprises are faced with shortage of fixed capital, 11 (50.00 per cent) faced with shortage of working capital, 1 (9.09 per cent) faced with both shortage of fixed, and working capital and 4 (18.18 per cent) enterprises are faced with high interest rate. Of the 51 (53.13 per cent) enterprises located in towns none faced the problem of shortage of fixed and working capital. Of them 1 (1.96 per cent) enterprise faced with shortage of fixed capital, 18 (35.29 per cent) faced with shortage of working capital, and 32 (62.75 per cent) enterprise are faced with high interest rate. Among the enterprises located in the district head-quarters 2 (33.33 per cent) enterprises are faced with shortage of fixed capital, 3 (50.00 per cent) are faced with shortage of working capital, and 1 (16.67 per cent) faced with both shortage of fixed and working capital. Further, all the above problems except high rate of interest are faced by the 36 (37.50 per cent) industrial estate enterprises. Of them 3 (17.65 per cent) are faced with shortage of fixed capital, 13 (76.47 per cent) enterprise are faced with shortage of working capital and 1 (5.88 per cent) enterprise is faced with shortage of both fixed and working capital.

The figures reveal that 11 or 50.00 per cent of the enterprises are located in villages are faced with shortage of working capital, 32 or 62.75 per cent of the town enterprises are faced with high rate of interest, 3 or 50 per cent of the district head-quarters enterprises are faced with shortage of working capital, and 13 or 76.47 per cent of the industrial estate enterprises are faced with shortage of working capital.

TYPE OF ASSISTANCE REQUIRE BY THE APSFC

The following Table 12 shows the type of assistance by the APSFC, required by the sample entrepreneurs.

TABLE NO. 12 TYPE OF ASSISTANCE REQUIRE BY THE APSFC

No.	Type of Assistance	No. of Units	Percentage
1	Financial	35	29.17
2	Marketing	15	12.50
3	Export	6	5.00
4	1 & 2 (Financial & Marketing)	12	10.00
5	2 & 3 (Marketing & Export)	9	7.50
6	1, 2 & 3 (Financial, Marketing & Export)	4	3.33
7	Training	39	32.50
Total		120	100.00

Source: Field Survey.

The above Table 12 reveals that out of the 120 sample entrepreneurs, the 39 (32.50 per cent) require training, followed by 35 (29.17 per cent) who require finance, 15 (12.50 per cent) marketing, 12 (10.00 per cent) require both finance and marketing, 9 (7.50 per cent) require assistance for both marketing and export, 6 (5.00 per cent) require export and 4 (3.33 per cent) require finance, marketing and export. The figures indicate that 39 of the entrepreneurs require training, 35 want finance, 15 marketing and 6 exports. Interestingly, 12 want assistance in finance and marketing, 9 help in marketing and export, and only 4 require assistance in finance, marketing and export.

ENTREPRENEURS' ATTITUDE TOWARDS THE APSFC

The following Table 13 presents the entrepreneurs attitude towards the APSFC.

TABLE NO. 13: ENTREPRENEURS' ATTITUDE TOWARDS THE APSFC

S. No.	Performance	No. of Entrepreneurs	Percentage
1	Very good	8	6.67
2	Moderate	59	49.17
3	Average	43	35.83
4	Poor	10	8.33
Total		120	100.00

Source: Field Survey.

The Table 13 shows that out of the entrepreneurs' sample of 120, 59 (49.17 per cent) entrepreneurs have a moderate attitude towards the APSFC. They are followed by 43 (35.83 per cent) entrepreneurs who view it as, average 10 (8.33 per cent) entrepreneurs find it poor, and only 8 (6.67 per cent) entrepreneurs regard the APSFC as very good. They indicate that the majority of entrepreneurs are neither wholly satisfied nor wholly disappointed with the Corporation. To put it in other words, the Corporation has to do much more to meet the needs of the small entrepreneurs.

CAUSES FOR DEFAULT IN REPAYMENT

The following Table 14 presents the causes of entrepreneurs' for their default in repayment of installments of loans to the APSFC.

TABLE NO. 14: ENTREPRENEURS' REASONS FOR DEFAULT IN REPAYMENT

S. No.	Causes	No. of Entrepreneurs	Percentage
1	Heavy amount of repayment	18	60.00
2	Inadequate profits	6	20.00
3	Lack of cash reserves	6	20.00
Total		30	100.00

Source: Field Survey.

The above Table 14 reveals that 30 of the sample entrepreneurs are in default in repayment of installments to the APSFC. Of them, 18 (60.00 per cent) entrepreneurs find the amount of repayment very heavy, 6 (20.00 per cent) entrepreneurs default because of inadequate profits and 6 (20.00 per cent) entrepreneurs are defaulters for lack of cash reserves. It is clear that the majority of them are at default due to the heavy amount of repayment.

FINDINGS

- 83 out of the 120 enterprises (69.17 per cent) obtained term loan (TL) during the study period, followed by 25 (20.83 per cent) enterprises which got working capital loan
- The APSFC sanctioned loans only for the establishment of new enterprises and expansion of existing enterprises.
- The majority of the sample enterprises which are assisted by the APSFC show a developing trend, and their financial performance has been by and large good.
- Among the general problems faced by the sample entrepreneurs' are lack of collateral security, unfavourable terms and conditions imposed by the APSFC, and lack of training, appear to stand out.
- More than half of the sample entrepreneurs felt that the loan amount sanctioned has been much less than their requirement. A little more than one-third of the sample found needless procedural delays by the Corporation a great hurdle.
- In spite of the assistance rendered by the Corporation 96 (80.00 per cent) entrepreneurs out of 120 are faced with different financial problems. Shortage of working capital and high interest rate has troubled more than 80 per cent of them.
- Half of the trade enterprises are faced with shortage of working capital, and 4 fixed capital. Less than half of the manufacturing enterprises are faced with shortage of working capital, and a little more than one-third high rate of interest, and the majority of both trade and manufacturing enterprises are faced with high rate of interest.
- 11 or 50.00 per cent of the enterprises which are located in villages are faced with shortage of working capital, 32 or 62.75 per cent of the town enterprises find the rate of interest high, 3 or 50 per cent of the district head-quarters enterprises are faced with shortage of working capital, and 13 or 76.47 per cent of the industrial estate enterprises are faced with shortage of working capital.
- 39 of the entrepreneurs require facilities for training, 35 want finance, 15 help for marketing, and 6 for exports. Interestingly, 12 entrepreneurs want assistance in finance and marketing, 9 want to help in marketing and export, and only 4 require assistance in all three finance, marketing and export.
- The majority of entrepreneurs are neither wholly satisfied nor wholly disappointed with the Corporation. To put it in other words, the Corporation has to do much more to meet the needs of the small entrepreneurs.
- Majority of the entrepreneurs are at default due to the heavy amount of repayment.

The present enquiry has made an attempt to study closely and systematically 120 sample enterprises and their entrepreneurs. It has also examined their responses to the several questions placed before them covering all aspects of their financial problems, and has statistically analysed their responses to be able to arrive at reliable conclusions. These have been presented in the previous pages. The problems listed here have emerged from a study of the small and medium enterprises in Chittoor District. But the other backward and not properly developed districts in the state too must be facing very much similar if not identical problem. Therefore the viable suggestions which are offered hereafter to improve the conditions of the small enterprises and their entrepreneurs in Chittoor District, would be, it is hoped equally helpful to remedy the situation in the other districts of the state.

SUGGESTIONS

- Only a few of women entrepreneurs are running small enterprises in the study district. Hence, emphasis has to be laid on the development of women entrepreneurship in the district. This is particularly necessary for women empowerment, which has become both necessary and urgent.
- Shortage of working and fixed capital continues to be the most common and urgent problem for the entrepreneurs. It is the most widely felt discouraging factor too. Entrepreneurs might be using all the resources for procuring fixed capital but may be finding it difficult to secure working capital. Therefore, liberal finances with liberal collateral security must be made available to the entrepreneurs.

3. Chittoor District is a backward area. People who live here are not rich and avenues for development are limited. For these reasons also special attention has to be given by the APSFC to solve the financial problems of the enterprises.
4. People belonging the categories of B.C, S.Cs and S.Ts are socially down-trodden and financially backward. So special care has to be taken by the APSFC to equip them with enough aid and liberal finances. Before providing them with enough finances, they have to be properly motivated through education and training.
5. 90 (75.01 per cent) entrepreneurs are faced with the problem of lack of collateral security, unfavourable terms and conditions and lack of training. So, the APSFC should liberalize the collateral security, and terms and conditions.
6. 111 (92.50 per cent) entrepreneurs find the loan amounts sanctioned inadequate. They are also troubled by procedural delays. Finance is the life blood of an enterprise. Therefore, the APSFC should provide adequate finance to the enterprises with liberal collateral security without delay.
7. Often the small and medium entrepreneurs find repaying loans burdensome and difficult because the installments are huge. The Corporation would do well to reduce the size of the repaying amount and also allow the creditors to repay annually rather than every quarter. Especially those entrepreneurs of mango enterprises have to wait for the annual season to realize their profits. Only then they would be able to repay.
8. Many find the present rates of interest levied by the Corporation rather high and heavy. It is both reasonable and humane to reduce them to lesser the burden of the enterprises and entrepreneurs.
9. It is pre-eminently desirable to implement promptly and effectively programmes for Marketing Assistance as well as Export Assistance.

All the above suggestions meant for improving the condition of small and medium enterprises and entrepreneurs are practicable. What is required is a felt concern for them and they will to act and implement them.

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