

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

ijrcm



A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.,

Open J-Gate, India (link of the same is duly available at Inlibnet of University Grants Commission (U.G.C.)),

The American Economic Association's electronic bibliography, EconLit, U.S.A.,

Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than 3480 Cities in 174 countries/territories are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

<http://ijrcm.org.in/>

# CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	<b>IMPACT OF MICROFINANCE SERVICES ON POOR WOMEN'S HOUSEHOLDS IN AHMEDABAD: AN EMPIRICAL STUDY</b> <i>DR. PRATAPSIKH CHAUHAN &amp; AMIT A RAJDEV</i>	1
2.	<b>IMPACT OF PRIVATIZATION ON EDUCATION IN INDIA: AN ANALYSIS</b> <i>JACOB DAS &amp; DR. NIRMAL K SINGH</i>	7
3.	<b>EXAMINING VOLATILITY IN MID CAP SECTORS: A STUDY OF BSE</b> <i>PRASHANT JOSHI</i>	12
4.	<b>IMPACT OF ORGANISED RETAIL ON UNORGANISED RETAIL IN INDIA: A FOOTFALL STUDY</b> <i>SANDEEP NANDRAM DIVE &amp; DR. VIJAY AMBADE</i>	15
5.	<b>PRICE DISCOVERY, LONG TERM AND CAUSAL BEHAVIOR IN THE CURRENCY FUTURES MARKET IN INDIA</b> <i>MAHENDRA PANDEY &amp; DR. MALABIKA DEO</i>	19
6.	<b>A PERCEPTION STUDY OF RETAIL FORMAT IN FORUM MALL BY TEENAGERS AND ITS PATRONAGE IN BANGALORE</b> <i>V.JAYKUMAR, DR. LEENA NITIN FUKEY &amp; KANDAPPAN BALASUBRAMANIAN</i>	24
7.	<b>CRM IMPLICATIONS IN TOURISM SECTOR</b> <i>DR. K.V.S.N JAWAHAR BABU &amp; S.KALESHA MASTHAN VALLI</i>	28
8.	<b>A STUDY ON FACTORS INFLUENCING EMPLOYEE JOB SATISFACTION IN CEMENT INDUSTRY AT BAGALKOT DISTRICT</b> <i>RIYANABEGUM.MULLA., BRIJMOHAN VYAS. &amp; SANJAY HANJI</i>	30
9.	<b>THE EFFECT OF INTRAPRENEURSHIP ON JOB SATISFACTION: A SECTORIAL RESEARCH</b> <i>YAVUZ TANSOY YILDIRIM &amp; YENER PAZARCIK</i>	39
10.	<b>IPO PERFORMANCE AND ITS RELATION WITH RETAIL INVESTORS' SUBSCRIPTION AND GRADE</b> <i>SWATI MEHTA &amp; NILESH PATEL</i>	47
11.	<b>IMPACT OF DIVIDEND ON INVESTORS' PERCEPTION TOWARDS EQUITY STOCKS</b> <i>MINI MEHTA &amp; MANISH GURUNG</i>	53
12.	<b>COMPARATIVE ANALYSIS OF LEVEL OF WORK LIFE BALANCE OF WOMEN EMPLOYEES IN INDIAN CORPORATE WITH SPECIAL REFERENCE TO THREE SECTORS</b> <i>DR. ANJU SIGROHA &amp; YOGITA GIRDHAR</i>	58
13.	<b>A STUDY ON WOMEN CONSUMER SATISFACTION &amp; PREFERENCE FOR BABY CARE PRODUCTS</b> <i>ANITA JANGRA</i>	63
14.	<b>IMPORTANCE OF VARIOUS ACTS RELATED TO ENVIRONMENTAL STANDARDS AND THEIR IMPLEMENTATION BY STATE POLLUTION CONTROL BOARDS</b> <i>NIRANJAN MUDLIAR</i>	67
15.	<b>A COMPARATIVE STUDY OF THE VOCATIONAL INTEREST OF THE STUDENTS OF ARTS, SCIENCE AND COMMERCE STUDYING AT GRADUATION LEVEL WITH SPECIAL REFERENCE TO BAREILLY CITY</b> <i>BINDU ROY</i>	70
16.	<b>FINANCIAL INCLUSION THROUGH BANKS IN THE NILGIRIS DISTRICT WITH SPECIAL REFERENCE TO BUSINESS CORRESPONDENT MODEL</b> <i>DR. M. JEGADEESHWARAN &amp; A. RAHAMATH NISHA</i>	75
17.	<b>A STUDY ON INVESTORS SEGMENTATION BASED ON CHOICE CRITERIA</b> <i>DR. NALINA K. B. &amp; SAVIN KV</i>	80
18.	<b>WORK LIFE BALANCE OF WOMEN IN THE UNORGANISED SECTOR</b> <i>FATHIMA ADEELA BEEVI. T.K.S</i>	85
19.	<b>PROBLEMS AND CHALLENGES OF MICRO SMALL AND MEDIUM ENTERPRISES AND MICROFINANCE RELATED ISSUES</b> <i>SUPRIYA SARKAR</i>	88
20.	<b>CORPORATE GOVERNANCE AND RECENT CORPORATE GOVERNANCE FAILURE</b> <i>GAGANDEEP KAUR</i>	92
	<b>REQUEST FOR FEEDBACK &amp; DISCLAIMER</b>	96

## CHIEF PATRON

**PROF. K. K. AGGARWAL**

Chairman, Malaviya National Institute of Technology, Jaipur

*(An institute of National Importance & fully funded by Ministry of Human Resource Development, Government of India)*

Chancellor, K. R. Mangalam University, Gurgaon

Chancellor, Lingaya's University, Faridabad

Founder Vice-Chancellor (1998-2008), Guru Gobind Singh Indraprastha University, Delhi

Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

## FOUNDER PATRON

**LATE SH. RAM BHAJAN AGGARWAL**

Former State Minister for Home & Tourism, Government of Haryana

Former Vice-President, Dadri Education Society, Charkhi Dadri

Former President, Chinar Syntex Ltd. (Textile Mills), Bhiwani

## CO-ORDINATOR

**DR. SAMBHAV GARG**

Faculty, Shree Ram Institute of Business & Management, Urjani

## ADVISORS

**DR. PRIYA RANJAN TRIVEDI**

Chancellor, The Global Open University, Nagaland

**PROF. M. S. SENAM RAJU**

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

**PROF. M. N. SHARMA**

Chairman, M.B.A., Haryana College of Technology & Management, Kaithal

**PROF. S. L. MAHANDRU**

Principal (Retd.), Maharaja Agrasen College, Jagadhri

## EDITOR

**PROF. R. K. SHARMA**

Professor, Bharti Vidyapeeth University Institute of Management & Research, New Delhi

## CO-EDITOR

**DR. BHAVET**

Faculty, Shree Ram Institute of Business & Management, Urjani

## EDITORIAL ADVISORY BOARD

**DR. RAJESH MODI**

Faculty, Yanbu Industrial College, Kingdom of Saudi Arabia

**PROF. SANJIV MITTAL**

University School of Management Studies, Guru Gobind Singh I. P. University, Delhi

**PROF. ANIL K. SAINI**

Chairperson (CRC), GuruGobindSinghI. P. University, Delhi

**DR. SAMBHAVNA**

Faculty, I.I.T.M., Delhi

**DR. MOHENDER KUMAR GUPTA**

Associate Professor, P.J.L.N.GovernmentCollege, Faridabad

**DR. SHIVAKUMAR DEENE**

Asst. Professor, Dept. of Commerce, School of Business Studies, Central University of Karnataka, Gulbarga

**ASSOCIATE EDITORS**

**PROF. NAWAB ALI KHAN**

Department of Commerce, Aligarh Muslim University, Aligarh, U.P.

**PROF. ABHAY BANSAL**

Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida

**PROF. V. SELVAM**

SSL, VIT University, Vellore

**PROF. N. SUNDARAM**

VITUniversity, Vellore

**DR. PARDEEP AHLAWAT**

Associate Professor, Institute of Management Studies & Research, MaharshiDayanandUniversity, Rohtak

**DR. S. TABASSUM SULTANA**

Associate Professor, Department of Business Management, Matrusri Institute of P.G. Studies, Hyderabad

**TECHNICAL ADVISOR**

**AMITA**

Faculty, Government M. S., Mohali

**FINANCIAL ADVISORS**

**DICKIN GOYAL**

Advocate & Tax Adviser, Panchkula

**NEENA**

Investment Consultant, Chambaghat, Solan, Himachal Pradesh

**LEGAL ADVISORS**

**JITENDER S. CHAHAL**

Advocate, Punjab & Haryana High Court, Chandigarh U.T.

**CHANDER BHUSHAN SHARMA**

Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

**SUPERINTENDENT**

**SURENDER KUMAR POONIA**

## **CALL FOR MANUSCRIPTS**

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography; Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript** **anytime** in **M.S. Word format** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. [infoijrcm@gmail.com](mailto:infoijrcm@gmail.com) or online by clicking the link **online submission** as given on our website ([FOR ONLINE SUBMISSION, CLICK HERE](#)).

## **GUIDELINES FOR SUBMISSION OF MANUSCRIPT**

### 1. **COVERING LETTER FOR SUBMISSION:**

DATED: \_\_\_\_\_

**THE EDITOR**  
IJRCM

**Subject: SUBMISSION OF MANUSCRIPT IN THE AREA OF**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

**DEAR SIR/MADAM**

Please find my submission of manuscript entitled '\_\_\_\_\_ ' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

#### **NAME OF CORRESPONDING AUTHOR:**

Designation:  
Affiliation with full address, contact numbers & Pin Code:  
Residential address with Pin Code:  
Mobile Number (s):  
Landline Number (s):  
E-mail Address:  
Alternate E-mail Address:

#### **NOTES:**

- a) The whole manuscript is required to be in **ONE MS WORD FILE** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
- b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:  
**New Manuscript for Review in the area of** (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
- c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
- d) The total size of the file containing the manuscript is required to be below **500 KB**.
- e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
- f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE:** The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS:** The author (s) **full name, designation, affiliation (s), address, mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT:** Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

## **INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT**

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

<http://ijrcm.org.in/>

5. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.
6. **MANUSCRIPT:** Manuscript must be in **BRITISH ENGLISH** prepared on a standard A4 size **PORTRAIT SETTING PAPER**. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.
7. **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT:** The main text should follow the following sequence:

**INTRODUCTION**

**REVIEW OF LITERATURE**

**NEED/IMPORTANCE OF THE STUDY**

**STATEMENT OF THE PROBLEM**

**OBJECTIVES**

**HYPOTHESES**

**RESEARCH METHODOLOGY**

**RESULTS & DISCUSSION**

**FINDINGS**

**RECOMMENDATIONS/SUGGESTIONS**

**CONCLUSIONS**

**SCOPE FOR FURTHER RESEARCH**

**ACKNOWLEDGMENTS**

**REFERENCES**

**APPENDIX/ANNEXURE**

It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed **5000 WORDS**.

10. **FIGURES & TABLES:** These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS:** These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES:** The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:
  - All works cited in the text (including sources for tables and figures) should be listed alphabetically.
  - Use (ed.) for one editor, and (ed.s) for multiple editors.
  - When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
  - Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
  - The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
  - For titles in a language other than English, provide an English translation in parentheses.
  - The location of endnotes within the text should be indicated by superscript numbers.

**PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:**

**BOOKS**

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

**CONTRIBUTIONS TO BOOKS**

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

**JOURNAL AND OTHER ARTICLES**

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

**CONFERENCE PAPERS**

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

**UNPUBLISHED DISSERTATIONS AND THESES**

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

**ONLINE RESOURCES**

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

**WEBSITES**

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 <http://epw.in/user/viewabstract.jsp>



## PROBLEMS AND CHALLENGES OF MICRO SMALL AND MEDIUM ENTERPRISES AND MICROFINANCE RELATED ISSUES

**SUPRIYA SARKAR**  
**RESEARCH SCHOLAR**  
**DEPARTMENT OF COMMERCE**  
**DDU GORAKHPUR UNIVERSITY**  
**GORAKHPUR**

### ABSTRACT

The government of India has enacted the micro, small and medium enterprises development (MSMED) act, 2006. The contribution of small and medium scale sectors in the economic empowerment of any nation cannot be ignored by any means. They contribute immensely in the gross domestic product (GDP) of the economy. This sector nurtures budding entrepreneurs and incubates innovation at its most rudimentary level. The MSMEs sector contributes significantly to value addition, employment generation, export and overall growth of the nation's economy. The MSME sector is responsible for about 40 per cent of the export and 45 per cent of the total manufacturing output of the country. The microfinance institution concentrately helps the micro and the small enterprises of the nation. These institutions help enterprises not only financially but by also giving training to them and by giving technical assistance which help these enterprises to grow. The micro and small enterprises have very few options with them for financing; one of them is microfinance institutions. These institutions help them with great effort and training skills which is required for the initiation of Micro and small enterprises which ultimately helps in the growth of GDP of an economy and employment generation in a country. In this paper we will discuss about the role of microfinance institutions for the growth of micro, small and medium enterprises and suggest some measures through MFIs can cater to the needs of micro, small and medium enterprises in a much large scale.

### KEYWORDS

micro enterprises, microfinance.

### INTRODUCTION

Money makes the world goes round and it causes the world of micro, small and medium enterprises (MSMEs) to spin even faster. Finance is a quintessential requirement of any business and the need for the same for the micro and small enterprises cannot be stressed enough. On one hand an uninhabited finance can make the business blossom whereas a constrained one can make your business struggle. Many promising business has failed to get the ground because of the lack of finance, which is a big disappointment. According to Mr. Uday Kumar Sharma secretary, ministry of MSME "bankers have maintained that MSME lending is growing 20-22% year-on-year, even though the overall demand for credit appears to far outstrip the credit flow"

One though must understand as to why MSMEs have to struggle for finance considering that there many sources available for availing finance. Sources include banks, large organization, merchants among others. MSMEs generally have no or very little track record which acts as a bottleneck in their way to getting reasonable access to credit. Banks while lending MSME ask for collateral credit which is not easy for MSME. Even the finance which are available from organizations are able to get it is charged at exorbitant rates which are not always rational.

Micro, small and medium enterprises, what differentiates them is the amount of investment made on these enterprises. Micro, small and medium enterprises are classified in two classes: manufacturing enterprise and service enterprise.

Manufacturing enterprises are those which are involved in manufacturing products for selling to any other industries. Manufacturing enterprises are defined in terms of investment in plant and machinery.

Service enterprises are those which are engaged in providing or rendering services and are defined in terms of investment in equipment.

#### IN MANUFACTURING ENTERPRISES

Enterprises	Investment in plant and machinery
Micro enterprises	Does not exceed twenty five lakh rupees
Small enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium enterprises	More than five crore rupees but does not exceed ten crore rupees

#### IN SERVICE ENTERPRISES

Enterprises	Investment in equipment
Micro enterprises	Does not exceed ten lakh rupees
Small enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium enterprises	More than two crore rupees but does not exceed five crore rupees

The object of micro, small and medium enterprise development (MSMED) act, 2006 is to facilitate the promotion and development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental, under this act, a micro or small or medium enterprises engaged in providing or rendering services may file the memorandum to the authority at discretion.

### OBJECTIVES OF THE STUDY

1. Role of microfinance institution for the growth of micro, small and medium enterprises in India.
2. Critical analysis of policies towards micro small and medium enterprises.
3. Analysis of challenges facing for financing micro, small and medium enterprises.
4. Suggestion for improving MSME in large scale through MFIs.

### RESERVATION FOR MANUFACTURING

Reservation of items for exclusive manufacture in MSME sector statutorily provided for in the industries act, 1951, has been one of the important policy measures for promoting this sector.

The reservation policy has two objectives:-

- Ensure increased production of consumer goods in small scale sector
- Expand employment opportunities through setting up of small scale industries.

Non-MSME units can undertake manufacture of reserved items only if they take 50% export obligation.

20 items are exclusively reserved for manufacture in MSME sector.

Reserved items according to the third All India census of registered MSME units (2001-02) accounted for:-

- Registered units producing reserved items- 8.56%

- Unregistered units producing reserved items-5.05%
- All units producing reserved items-5.61%

There is no regulation or restriction on marketing of the reserved items by large industries.

The major benefit for MSMEs is the reservation policy, which reserves certain items, for exclusive manufacture by these enterprises, thus, protecting their interests, impetus to the society by generating employment opportunities. The Government has put in place policies and has reserved three hundred fifty (350) items for purchase from MSMEs, under the Government Stores Purchase Programme. To encourage the small-scale units, the SEZs are required to allocate 10 per cent space for the small-scale units. Under the MSMED Act, protections are offered in relation to timely payment for goods and services by buyers to MSMEs. Furthermore, the Government has been encouraging and supporting the sector through policies for preferential access to credit, preferential purchase policy, etc. It has been offering packages of schemes and incentives through its specialized institutions in the form of assistance in obtaining finance; help in marketing; technical guidance; training and technology upgradation, etc. Further, an enterprise, whose post-issue face value does not exceed INR 25,00,00,000 (Rupees Twenty Five Crores only), is entitled to certain exemptions from the eligibility requirements under the ICDR Regulation.

The list of items exclusively reserved for production by MSEs is limited to twenty (20) items. Some examples of reserved items are pickles and chutneys, bread, mustard oil, ground nut oil, exercise books and registers, wooden furniture and fixtures, candles, laundry soap, safety matches, fireworks, agarbattis, glass bangles, steel almirahs and stainless steel and aluminum utensils. Though reserved exclusively for MSMEs, these items can also be manufactured by Large/Medium units provided they undertake to export a minimum of 50 per cent of the new or additional annual production of the MSE reserved items within a maximum period of three years from the date of commencement of commercial production of such reserved items.

#### **POLICY PACKAGE FOR SME 2005-06**

- The ministry of Small scale industries has identified 180 items for dereservation.
- Small and medium enterprises were recognized in the services sector, and were treated on par with SIs in the manufacturing sector.
- The corpus of the credit guarantee fund was raised from Rs.1132 crore from march 2006 to Rs.2500 crore in five years.
- Credit guarantee trust from small industries (CGTSI) was advised to reduce the one time guarantee fee from 2.5 per cent to 1.5 per cent for all loans.
- Insurance cover was extended to approx. 30,000 borrowers, identified as chief promoters, under the CGTSI. The sum assured would be Rs.200000 per beneficiary and the premium will be paid by CGTSI.
- The emphasis was laid on cluster development model not only to promote manufacturing but also to renew industrial towns and build new industrial townships. The model is now being Implemented, in nine sectors including khadi and village industries, handloom, handicraft, textiles ,agricultural products and medicinal plants.

#### **BANK'S TARGET FOR MSME SECTOR**

As per the policy packaged announced by the Government of India in august-05 for stepping up credit to MSME sector, Government of India (GOI) asked banks to fix self set targets for growth in advances to MSME sector in order to achieve a minimum 20% year on year growth in credit to MSMEs.

#### **SUB-TARGETS FOR MSME SECTOR**

In order to ensure the sufficient credit is available to Micro enterprise within MSE sector the RBI vide their master circular dated 1<sup>st</sup> july 2010 on "lending to micro,small and medium enterprises sector" has directed as follows:

#### **OUT OF TOTAL CREDIT TO SMALL ENTERPRISES SECTOR**

40%	Credit to the micro (manufacturing) enterprises having investment in 'plant machinery' up to Rs. 5.00 lacs and micro (service) enterprises having investment in equipment up to Rs. 2.00 lacs.
20%	Credit to the micro (manufacturing) enterprises having investment in 'plant machinery' above Rs. 5.00 lacs and up to Rs. 25 lacs, and micro (service) enterprises having investment in equipment above Rs. 2.00 lacs and up to Rs. 10.00 lacs.
Thus, 60% of the small enterprises advances should go to the micro enterprises.	

Further, as per prime minister's high level task force recommendations the share of micro enterprises in MSE lending needs to be increased to 60% in a phased manner viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13. It would be mandatory for the public sector banks to achieve this target.

The banks should achieve annual growth in the number of micro enterprises account of 10% every year.

It will be seen that the government of India is very keen to ensure that the credit need of micro and small sector are given priority and adequate financial assistance is made available to micro & small sector. The credit needs of the sectors can be met within the discretionary powers given to the branch managers and regional managers.

Thus in order to fulfill the sub target field level functionaries will have to pay attention to the credit need of micro & small sector. Special credit camps may also be arranged at various centers to step up finance to micro & small sectors.

#### **STRATEGY TO ACHIEVE THE TARGET**

To achieve the set target, bank proposes to move simultaneously into the following directions.

- Focused attention will be given to activate branches to sanction credit proposal more in numbers. As per the directives given in the policy package for setting up advance to MSME sector, each semi-urban and urban branch has to sanction at least five new MSME proposals every year.
- Presently bank has identified 95 branches for intensifying finance to MSME sector. Few more branches will be added, keeping in view the overall manpower position. Such branches will be called MSME branches.
- MSME branches will be given all support service such as training, skill of credit appraisal etc. MSME branches are expected to contribute sizable growth in MSME sector.
- Emphasis should be given to the efficient credit delivery system. The advance should be made available within minimum time. Guidance/assistance may also be extended in completing bank formalities necessary for availing loans. Counseling services may be given to the entrepreneurs for their new as well as existing projects.
- Our banks have entered into tie up arrangements with the following companies by signing MOUs:
  - TVS motors for financing auto rickshaws/ three wheelers for carrying passengers/goods.
  - Tata motors for financing commercial vehicles/equipments (other than three wheelers)
  - Bajaj auto for financing commercial vehicles.
- Our bank has entered into MOU with CRISIL and DUN & Bradstreet information services for carrying out DUE DILIGENCE exercise of MSME borrowers.

#### **INITIATIVES TO AUGMENT CREDIT FLOW TO MSME SECTOR**

##### **POLICY INITIATIVES**

- ⇒ Separate lending policy for financing MSME sector which will be renewed every year.
- ⇒ Discretionary powers modified.
- ⇒ Competitive rate of interest.
- ⇒ Simplification of forms and documents, standardization of appraisal system.
- ⇒ Adequate and timely finance.
- ⇒ Specialized delivery channels.
- ⇒ Specific business models.
- ⇒ Flexibility in takeover norms.



⇒ Relaxations in financial ratios in line with loan policy.

#### PRODUCT INITIATIVES

- ⇒ Special schemes to extend finance at competitive rate of interest are formulated.
- ⇒ Dena Laghu Udyami Credit Card and Dena Artisans Credit Card are introduced with simplified credit delivery system for small borrowers /artisans.
- ⇒ MOUs and tie ups with various companies.

### ROLE OF MFIS IN GROWTH OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

MSME are the drivers and engines of growth, promoting equitable socio-economic development worldwide. Although MSME have an immense potential to play a larger role in globally competitive industries, the lack of inclusive growth models, concerted efforts by governments and the private sector, and the scarcity of financial resources bound them. As we have discussed earlier micro enterprises are the one whose investment in plant machinery in manufacturing unit does not exceed Rs 25 lakh and investment in equipment in service sector does not exceed Rs 10 lakh. In the early stages of business life cycle, small firms in developing countries often depend on informal sources of funding and have basic needs, such as managing cash flow through short term loans and basic saving accounts. Ownership and management are mostly the same with simple financial recordkeeping, often separate for the business and household. Finally their capital base is often small; while starting capital is generally provided from their own savings and borrowings from relatives and friends.

#### MFIS INCREASINGLY HELPING MICRO AND SMALL ENTERPRISES

MFIs have become a real boon for this MSME specially these micro and informal sector enterprises. These sectors are generally unbanked sectors of enterprise populations. It is to be noted that financial inclusion has become an important topic in the development agenda, as there is a direct link between access to credit for MSME and economic growth and development. Poor entrepreneurs can achieve their dreams only through financial inclusion. Microfinance emerged as noble substitute for informal credit and an effective and powerful instrument for poverty reduction. Many financial service providers serve micro and small enterprises in developing countries, including commercial banks, co-operatives, MFIs and others. These providers have different capacities and motivations, and target different specific sub segments within the small business landscape. Larger financial service providers, including commercial banks that want to serve small businesses, tend to focus on firms that are larger and formal. On the other MFIs usually focus on firms which are small and informal. Most MFIs are looking at small enterprise segments because they offer additional business growth opportunities. Another motivation is the MFIs desire to continue serving small number of growing micro clients. Despite a recent directive from RBI to the banking sector that funds up to Rs 5 lakhs should be made available to micro, small and medium enterprises without collateral security, many MSME still found it difficult to raise fund in emergencies.

#### CHALLENGES IN FINANCING MICRO SMALL AND MEDIUM ENTERPRISES

MSMEs are collectively the largest employment generation sectors in developing countries, yet their viability can be threatened by a lack of access to such risk-management tools as savings, insurance and credit, their growth is often stifled by lack of access to credit, equity and payment services. Access to financial services can therefore boost job creation, raise income, reduce vulnerability and increase investment in human capital. MSMEs account for a significant share of employment and GDP around the world, but, when they have limited access to finance, the economy suffers a series of negative consequences: economic and social opportunities are restricted, enterprise creation and growth are restrained, household and enterprises are more vulnerable to threats and payments are more costly and unsafe. MSME face certain distinct challenges because of their very nature. One of the biggest is the stiff competition from the large and the established players in the markets and the other is the imports. These make it necessary for MSMEs to innovate and either introduces a product or services to fill the void created by bigger players, or reduces cost and streamline processes to enable them to be on a more level playing field against bigger players. However MSMEs innovation is often restricted by two types of challenges- strategic and operational.

#### STRATEGIC

##### INTELLECTUAL PROPERTY RIGHTS (IPR)

The effective implementation IPRs in India has always remained a contentious issue. Weak implementation of legislation usually impacts micro and small scale industries, especially those that are innovation-driven. Their innovation helps them develop products and services before others. However, ineffective legislation and implementation drastically cut down lead time, thereby negating the ability of MSMEs to effectively monetize their innovation.

##### HIGH COST OF CREDIT

The fundamental basis of any innovation driven enterprise is research. R&D frictions well when there is continuous flow of funds. In the current Indian economic scenario, cheap funds are difficult to come by. With the RBI reiterating that costs of funds will remain high for a while to curb inflation, this will continue to remain a challenge for the sector. Another reason for the high cost of credit has been the high risk perception among banks about this sector and the high transaction costs for loan appraisal. While the quantum of advances from public sector banks to small and medium enterprises has increased over the years in absolute terms, from Rs.46.045 crore in march 2000 to Rs.1,85,208 crore in march 2009. For the same period the share of credit to the MSME sector in the net bank credit (NBC) has declined from 12.5% to 10.9%. MSME sector are unable to provide collateral to banks are hence denied access to credit, making it harder to get loans.

#### OPERATIONAL

##### LOWER TECHNOLOGY LEVELS

The MSME sector in India, with some exceptions, is characterized by low technology levels, a huge drawback in emerging global market. As a result, the sustainability of a large number of MSMEs will be in jeopardy amidst competition from imports.

This hinders the growth of innovation driven companies which do not belong to IT sector, where effective technology will sort out most process road blocks and allows to concentrate on their core business of innovation.

##### INSUFFICIENT INFRASTRUCTURE

To ensure MSME competitiveness, it is essential that the availability of infrastructure, technology and skilled manpower is in tune with global trends. MSME are located in old industrial estates are functioning within urban areas or functioning in unorganized manner in rural areas. The state of infrastructure, including power, water, roads etc. in such areas is poor and unreliable. While these acts are threat to MSMEs, the biggest impact is felt by their research arms as they don't have the firepower to be able to innovate.

##### LACK OF SKILLED MANPOWER

Although India has a large pool of human resources, the industries continues to lack skilled manpower required for manufacturing, marketing, servicing etc. Also there is a lack of a culture of research. Even premiere technological institutes do not produce the quantity and quality of world class research expected of them. This leads to serious dearth of competent researchers in organization.

##### DELAYS IN SETTLEMENT

Large scale buyers usually of long settlement lead times when they deal with MSMEs owing to their limited bargaining power in the market. This hurts the ability of MSMEs to divert funds to their apex requirement and R&D.

### SUMMARY OF CHALLENGES IN FINANCING OF MSME SECTOR

The supply of formal finance to the MSME sector is constrained by multiple challenges on both demand and supply sides. The demand side is constrained by factors such as limited access to collateral that directly affects the access of finance, Limited capacity of the entrepreneurs that indirectly had an impact on the access of finance. The supply side is constrained by internal institutional challenges such as changes in macroeconomic scenario.

Summary of challenges that constraint financing to the MSME sector:

Demand side	Supply side
<b>Factors that directly impact financing</b>	<b>Internal factors that constraint supply</b>
Inadequate access to debt financing	Limited information on enterprises in the sector
Limited information on financial sources and products	High cost of servicing high frequency, small size transaction in branch banking code
Inadequate collateral	Poor historic performance of the sector- high NPA
Limited access to alternative sources of finance	
<b>Factors that indirectly impact financing</b>	<b>External factors that constraint supply</b>
Inefficiency in business operations; limited entrepreneur capacity	Changes in macroeconomic environment
Inadequate access to infrastructure	Changes in legal and regulatory environment
Inadequate market linkages	
Inadequate access to technical assistance	

A variety of independent studies suggest that very few small enterprises are aware of government initiatives to support small enterprises. According the SME annual survey (2004), which sampled over 2500 SME and focused specifically on SME perceptions of government support, over 60% of the business were aware of the SETAs, 45% of the businesses were aware of the Industrial development corporations (IDC)

## RECOMMENDATION OF THE GOVERNMENT TO IMPROVE THE MSME SECTOR

The Committee notes that the major problems for the MSMEs relate to the Availability and cost of credit, marketing support, improving productivity, Technology/skill up gradation, infrastructure and the institutional framework for MSMEs. The Committee also notes that there are issues related to specific products like Chemicals, Plastic, Leather, Handicrafts, Textiles and Agricultural Products and specific markets. On each of the issues the Committee has made suggestions for immediate implementation and for the medium term.

The major recommendations of the Committee are as follows:

### AVAILABILITY AND COST OF CREDIT

An additional interest subvention of 2% for those exporters who repay on a timely basis; reduction of the spread on foreign currency credit to LIBOR + 2%; automatic increase in foreign currency limits due to rupee depreciation; banks to aim for at least 40% export credit to MSMEs, targets for banks to increase MSME borrowers by 10% annually until 2017.

### MARKETING SUPPORT

Enhancement of budget and scope under MDA/MAI schemes; greater focus on brand building and trade fairs; double income tax deduction for marketing expenses; support for E-Commerce.

### PRODUCTIVITY/TECHNOLOGY/SKILL UP GRADATION

Modification in labor laws to enable more overtime hours and employment of women in night shifts with necessary safety; enhancement of technology up gradation schemes with both capital subsidy and interest subvention; setting up of research/resource/product development centres and linkages with the technical institutions and CSIR laboratories.

### INFRASTRUCTURE FOR MSMEs

24\*7 facilities for export consignments at major air cargo/sea port complexes; enhancement of ASIDE scheme and development of MSME clusters near Highways/Rail Corridors.

### INCENTIVES/TAXES RELATED ISSUES

A differential corporate/income tax regime for MSME exporters; separate ECGC policy for MSMEs to reduce costs; removal of service tax on conversion of export proceeds remittances and a host of issues which will reduce transaction costs in exports.

### INSTITUTIONAL FRAMEWORK

Constitution of a Standing Committee of Secretaries to resolve policy and implementation related issues; greater coordination at the ground level between Customs and DGFT offices.

### SECTOR SPECIFIC ISSUES

Based on the suggestions received from sector export councils/associations, the Committee recommends a cess of 0.1% on the production of chemical and Plastics, for creating a fund for technology up gradation for the two sectors; additional budgetary support for handicrafts sector, enhancing the support under Integrated Leather Development Scheme; calibrate the exports of cotton yarn; avoid unintended exclusions of fabric items; amendment of APMC Acts for enabling direct purchase of horticulture/vegetable items from farmers by exporters; greater infrastructure support (testing labs, pack houses) for processed agriculture exports.

### ENABLING BUSINESS ENVIRONMENT

The government shall:-

- Provide a better and more conducive business environment for MSME sector.
- Keep simplifying the business regulatory environment.
- Develop web-enabled common application gateway.
- Introduce timelines defined in respect of all clearances.
- Enhance the quality of human resource through training and skills development packages.
- Promote pooling of common services and functions (common facility centre) under cluster approach for the benefit of small players.
- Strengthen participation of and support to SHGs and co-operatives in the production and marketing in micro enterprise sector with special focus on handicrafts and village industries.
- Encourage joint ventures with private sector in the entire value chain of the MSME sector.
- Setup technology facilitation centre involving technological institution and experts for technology up gradation and transfer support to MSME.
- Setup adequate number of industrial estates for providing basic infrastructure to MSME.
- Facilitate setting up MSE clusters in each district of state.
- Create marketing infrastructure and support through setting up haats/parks and facilitation participation of state's MSME sector in fairs/expo/exhibition.

## REFERENCES

1. Business standards. Tuesday, February 2011. Microfinance firms to the aid of MSME. Available URL-[www.business-standard.com/.../sme/micro-finance-firm-to-the-aid-of-ms-](http://www.business-standard.com/.../sme/micro-finance-firm-to-the-aid-of-ms-)
2. Innovation: changing the MSME landscape-pwc. Pg no- 13,14,16. Available URL- [www.pwc.in/en\\_IN/in/assets/pdfs/...2011/innovation-msme-2011.pdf](http://www.pwc.in/en_IN/in/assets/pdfs/...2011/innovation-msme-2011.pdf)
3. Micro save –micro led solution for financial services. MSME financing. Available URL-[www.microsave.net/areaofexpertise/msme\\_financing](http://www.microsave.net/areaofexpertise/msme_financing)
4. Micro, small and medium enterprise financing in India. Available URL-[www.ifc.org/wps/wcm/connect/.../MSME+Report-03-01-2013.pdf?MOD...](http://www.ifc.org/wps/wcm/connect/.../MSME+Report-03-01-2013.pdf?MOD...)
5. MSME policy 2013-18-mssewb.org. policy package. Available URL-[www.mssewb.org/pdf/wb\\_msme\\_policy\\_2013-18.pdf](http://www.mssewb.org/pdf/wb_msme_policy_2013-18.pdf)
6. MSMS loan policy & guidelines: 2012-13 for micro small and medium enterprises (MSME) sector. Banks target for MSME sector. Available URL-[www.denabank.com/.../1341036874004-MSME%20Loan%20policy.pdf](http://www.denabank.com/.../1341036874004-MSME%20Loan%20policy.pdf)
7. SIDO publication of India. Development commissioner MSME. Policy of reservation, Friday feb,2014. Available URL-[www.dcmsme.gov.in/publications/policies/preseve.htm](http://www.dcmsme.gov.in/publications/policies/preseve.htm)

## **REQUEST FOR FEEDBACK**

**Dear Readers**

At the very outset, International Journal of Research in Commerce & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail [infoijrcm@gmail.com](mailto:infoijrcm@gmail.com) for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail [infoijrcm@gmail.com](mailto:infoijrcm@gmail.com).

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

**Academically yours**

Sd/-

**Co-ordinator**

## **DISCLAIMER**

The information and opinions presented in the Journal reflect the views of the authors and not of the Journal or its Editorial Board or the Publishers/Editors. Publication does not constitute endorsement by the journal. Neither the Journal nor its publishers/Editors/Editorial Board nor anyone else involved in creating, producing or delivering the journal or the materials contained therein, assumes any liability or responsibility for the accuracy, completeness, or usefulness of any information provided in the journal, nor shall they be liable for any direct, indirect, incidental, special, consequential or punitive damages arising out of the use of information/material contained in the journal. The journal, nor its publishers/Editors/Editorial Board, nor any other party involved in the preparation of material contained in the journal represents or warrants that the information contained herein is in every respect accurate or complete, and they are not responsible for any errors or omissions or for the results obtained from the use of such material. Readers are encouraged to confirm the information contained herein with other sources. The responsibility of the contents and the opinions expressed in this journal is exclusively of the author (s) concerned.

## ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

### *Our Other Journals*

