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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	A COMPARATIVE STUDY OF SERVICE QUALITY OF SELECTED INDIAN BANKS: A STUDY IN INDORE REGION <i>DR. HARISH B. BAPAT, DR. VISHAL SONI & DR. VINAYAK KHARE</i>	1
2.	EFFECTIVENESS OF RURAL MARKETING STRATEGIES ON BRANDED FMCG's: A CASE STUDY IN KANYAKUMARI DISTRICT <i>DR. V. SREEDEVI & M. SULAIPHER</i>	8
3.	POWER SECTOR REFORMS DURING GLOBALIZED ERA: SOME EVIDENCES FROM INDIAN ECONOMY <i>M. ANANDAN & S. RAMASWAMY</i>	10
4.	NGO APPROACHES TO RURAL DEVELOPMENT IN BANGLADESH <i>DR. MD. HAFIZ UDDIN BHUIYAN & DR. MD. RABIUL ISLAM</i>	14
5.	INFLUENCES OF SOCIO-ECONOMIC FACTORS ON JOB SATISFACTION OF READY-MADE GARMENTS WORKERS <i>MUHAMMAD ZIAUL HOQUE & DR. MD. SAFIUL ISLAM AFRAD</i>	17
6.	CORPORATE GOVERNANCE PRACTICES: A STUDY OF SELECTED LEADING HOTELS IN INDIA <i>BASAVARAJESHWARI DIDDIMANI & DR. ISHWARA P</i>	22
7.	GENDER DIVERSITY AND INCLUSION IN STRATEGIC HUMAN RESOURCE MANAGEMENT: SUSTAINABLE PEOPLE MANAGEMENT IN THE ASIA-PACIFIC <i>DR. PRADNYA CHITRAO, AYESHA KANWAR, AISHA NORONHA & SOMYA SHARMA</i>	27
8.	A STUDY ON THE PROFITABILITY RATIO OF THE DISTRICT CENTRAL COOPERATIVE BANKS IN TIRUNELVELI REGION, TAMILNADU <i>DR. A. MAHENDRAN & DR. V. NATARAJAN</i>	35
9.	AN ANALYSIS ON CUSTOMER PERCEPTION AMONG INSURANCE SECTOR <i>DR. RAJESH KUMAR</i>	40
10.	GLOBALISATION, SKILL-BASED EDUCATION AND UNEMPLOYMENT IN RURAL ASSAM: AN ECONOMIC ANALYSIS <i>DR. GOBIN CHANDRA BORUAH</i>	50
11.	FDI IN INDIA: TREND, ISSUES AND CHALLENGES <i>SEEMA RANI & ADITI MOR</i>	54
12.	PERSONAL INCOME TAX STRUCTURE IN INDIA: AN EVALUATION <i>ARTI KUMARI</i>	60
13.	IMPACT OF STOCK SPLIT ANNOUNCEMENT ON MARKET PERFORMANCE OF STOCKS: A STUDY WITH REFERENCE TO MANUFACTURING INDUSTRIES IN INDIA <i>DR. KUSHALAPPA. S & PALLAVI. N</i>	65
14.	DETERMINANTS OF CAPITAL STRUCTURE IN TRANSPORT AND TEXTILE SECTORS IN INDIA: A COMPARATIVE STUDY <i>LALIT ASIJA</i>	69
15.	CUSTOMER'S PERCEPTION TOWARDS VALUE-ADDED SERVICES OF PUBLIC SECTOR BANKS IN NAMAKKAL TOWN STATE OF TAMIL NADU <i>SWATHI.V</i>	78
16.	SOCIO-ECONOMIC STATUS OF MICRO, SMALL AND MEDIUM ENTERPRISES IN HIMACHAL PRADESH: A CASE STUDY OF DISTRICT HAMIRPUR <i>SARWAN KUMAR</i>	83
17.	AN OVERVIEW OF CHILLIES MARKETING <i>M.SRI RAMA JAYAM</i>	88
18.	IMPACT OF INFORMATION AND COMMUNICATION TECHNOLOGY ON AGRICULTURAL SECTOR IN KARNATAKA <i>NANDEESHA H K</i>	90
19.	EFFECTIVE STRATEGY FOR AGRICULTURAL DEVELOPMENT: WITH REFERENCE TO KAUTILYA'S ARTHASHASTRA <i>SUNITA DEVI</i>	94
20.	IMPACT OF INVESTORS' ATTRIBUTES ON INVESTMENT DECISIONS <i>SUSHILA KUMARI & ANIL</i>	97
	REQUEST FOR FEEDBACK & DISCLAIMER	99

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SOCIO-ECONOMIC STATUS OF MICRO, SMALL AND MEDIUM ENTERPRISES IN HIMACHAL PRADESH: A CASE STUDY OF DISTRICT HAMIRPUR

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ABSTRACT

Micro, small and medium enterprises play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. The socio-economic policies adopted by India since the Industries (Development and Regulation) Act, 1951 have laid stress on MSMEs as a means to improve the country's economic conditions. The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. In this paper an aggressive attempt has been made to analyze the social factors of the entrepreneurs and also identify the entrepreneur's problems regarding taking loan and repayments of loan taken by entrepreneurs of manufacturing/service sectors with the use of simple percentage, bar diagrams and pie charts. Study reveals that the most of entrepreneurs dependent upon loan and majority of respondents state that the loans are inadequate. The study also shows that majority of entrepreneurs take loan for the purpose of purchase of plant and machinery and main sources of finance are commercial banks. On the other hands regarding repayment of loan and revealed that the majority of respondents repayments were in well time but those respondents have not repayments of loan in well in time. They gives reasons loss in business, spend on daily needs and high rate of interest.

KEYWORDS

MSMEs, socio-economic factors, entrepreneurship development.

1.1 INTRODUCTION

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs are not only playing crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio economic development of the country.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium.

1.2 DEFINITION

Small Scale Industrial Unit: An industrial undertaking in which the investment in fixed assets in plant & machinery, whether held on ownership terms, or on lease, or by hire purchase, does not exceed Rs. 100 lakhs as on 31-03-2001 was to be treated as a Small Scale Industrial Unit.

Micro Small Medium Enterprises (MSMEs): MSMEs Sector consists of any enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industries Development and Regulation Act, 1951 & other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipment.

In accordance with the provision of Micro, Small and Medium Enterprises Development Act 2006 the micro, small and medium enterprises are classified into two classes.

A. MANUFACTURING ENTERPRISES: The Enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act 1951) the manufacturing enterprises are defined in the terms of investment in plant and machinery.

B. SERVICE ENTERPRISES: The enterprises engaged in providing or rendering of services and are defined in the terms of investment in equipment. The limit of investment in plant and machinery/equipment for manufacturing/ Service Enterprises as notified.

MANUFACTURING SECTOR	
Enterprise	Investment in plant and machinery
Micro	Less than Rs 25 lakhs
Small	Over Rs 25 lakhs but not exceeding Rs 5 crores
Medium	Over 5 Crores but less than Rs 10 crores
SERVICE SECTOR	
Enterprise	Investment in equipment
Micro	Less than Rs 10 lakhs
Small	Over Rs 10 lakhs but not exceeding Rs 2 crores
Medium	Over Rs 2 crores but not exceeding Rs 5 crores

Source: annual report 2012-13, Department of micro, small and medium enterprises Government of India.

1.3 REVIEW OF LITERATURE

Vaijayanti (2014) has stated that the major problem is socio-economic conditions and socio-psychological setups. Various problems faced by the unit owners of Small Scale industries have different weight age of different points of view Efforts need be made to bring out amiable solutions. Sambasivaiah et. al. (2014) has made study on the impact of socio-economic factors on entrepreneurship development. They found that the growth of entrepreneurship has more or less been influenced by the factors like previous experience, strong desire to do something, independent in life and motivation by the family members. Srivastaw and Sadhukhan (2013) stated that the MSMEs are the engine that not only contributes to high rate of economic growth but also creates demand for goods and services that leads to inclusive and balanced growth of the economy. It also helps to reduce social imbalances and encourage sustainable development. Srinivas (2013) has revealed that the poor infrastructure and insufficient market linkages are among key factors that have embarrassed the growth of the MSMEs sector. Along with lack of sufficient and appropriate access to finance has continued to be the biggest challenge. The support given by the national and the state

governments to the MSMEs is not adequate enough to solve their problems. Mehta (2013) suggests that the twin problems of unemployment and poverty constitute a major development challenge in India. If the Government, Bank and Financial Institutions will take proper initiatives in the sector of MSME and they will take pride while servicing the MSMEs, these challenges can be solved and the economic growth rate of India will be 8-10% for the next decades. Shiralashetti (2011) suggests that the MSMEs need to be educated and informed of the latest developments taking place globally and helped to acquire skills necessary to keep pace with the global developments.

1.4 NEED AND SCOPE OF STUDY

Micro, small and medium entrepreneurship development in India is an area of great concern now a days. With an ever increasing population of the state and less scope for getting jobs in public sector, these small scale industries are the only hope of providing a source of livelihood to the local population. MSMEs have given benefits over the years such as it boosts employment, leads to equitable income distribution, promote private entrepreneurship and labor intensive techniques as India has plenty of human resource capital. In these present days of down-sizing and right-sizing in government jobs, a proper study of industrial potential and finding its measures to development. It will be the only means of empowering the people for economic development. Its scope has been restricted to study about the social-economic and financial problems in Himachal Pradesh with special reference to Hamirpur district.

1.5 OBJECTIVES OF STUDY

1. To study the impact of social economic factors on entrepreneurs.
2. To identify the financial problems faced by the entrepreneurs.

1.6 RESEARCH METHODOLOGY

This paper has been prepared on the basis of primary data. A sampling survey is conducted among the 100 small scale industrial units in Hamirpur district with the help of structured questionnaire. Convenience sampling has been adopted for selection of these units. For the purpose of analysis simple statistical tools like percentages, averages, pie diagrams and bar diagrams have been used.

1.7 DATA INTERPRETATIONS

TABLE 1: AGE GROUP OF ENTREPRENEURS

AGE GROUP	NO. OF RESPONDENTS	PERCENTAGE
below 30	12	12.0
31-40	40	40.0
41-50	26	26.0
51-60	14	14.0
61 above	8	8.0
Total	100	100.0

Source: Primary Survey

The analysis reveals that out of 100 respondents, 40 entrepreneurs between the age group of 31-40 years, followed by 26 entrepreneurs in age group between 41-50 years. On the other hand 14 entrepreneurs between the age group of 51-60, 12 entrepreneurs belonged below 30 age group and the remaining 8 entrepreneurs accounted to the age group of above 60 years. It reveals that the majority of entrepreneurs were between the age group of 31-40 years and followed by age group of 51-60 years but the data also found that younger people also interested to start up entrepreneurship and minimizing the unemployment.

TABLE 2: CAST WISE CLASSIFICATION OF ENTREPRENEURS

CATEGORY	NO. OF RESPONDENTS	PERCENTAGE
General Caste	56	56.0
Schedule caste	22	22.0
Other Backward Class	14	14.0
Schedule Tribe	8	8.0
TOTAL	100	100.0

Source: Primary Survey

The analysis reveals that out of 100 respondents, 56 entrepreneurs belonged to general caste and 22 entrepreneurs belonged to schedule caste category. On the other hand 14 entrepreneurs belonged to other backward class and the remaining 8 entrepreneurs accounted to the category of schedule tribe. It reveals that the entrepreneurship was set up particularly General caste but now the data suggests that people belong to the schedule cast category is also engaging themselves in this activities resulting into minimizing the unemployment.

TABLE 3: EDUCATIONAL STATUSES OF ENTREPRENEURS

EDUCATIONAL STATUS	NO. OF RESPONDENTS	PERCENTAGE
MATRIC	42	42.0
Higher Secondary	18	18.0
Graduate	24	24.0
Technical	14	14.0
Any other	2	2.0
TOTAL	100	100.0

Source: Primary Survey

Table 3 shows that in that area the people with higher educational background like matriculate and general graduation i.e almost 66% of total respondent have undertaken this venture as means of their livelihood. As far as educational background of the respondents under study is concerned, 42 have education matriculation while 24 respondents were educated up to graduate, 18 respondents had passed higher secondary. On the other hand 14 have technical course and 2 have any other (less than matric). Educational development among the entrepreneurs of this region is not up to the mark and needs to be enhanced significantly to inculcate entrepreneurial qualities and skills among the youth people of the state.

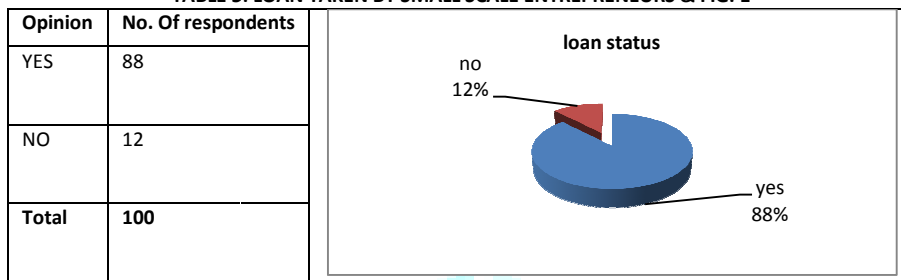
TABLE 4: REGIONAL BACKGROUNDS OF ENTREPRENEURS

REGIONAL BACKGROUND	NO. OF RESPONDENTS	PERCENTAGE
RURAL	44	44.0
SEMI- RURAL	48	48.0
URBAN	8	8.0
TOTAL	100	100.0

Source: Primary Survey

The analysis reveals that out of 100 enterprises, 48 enterprises are from the semi-rural area and 44 enterprises are from rural area. Remaining 8 enterprises are from urban area. It can be concluded that the majority of entrepreneurs belongs to the semi-rural areas. Area wise development of entrepreneurship is not in urban area and need to have significantly inspired urban people to set up enterprises in urban area.

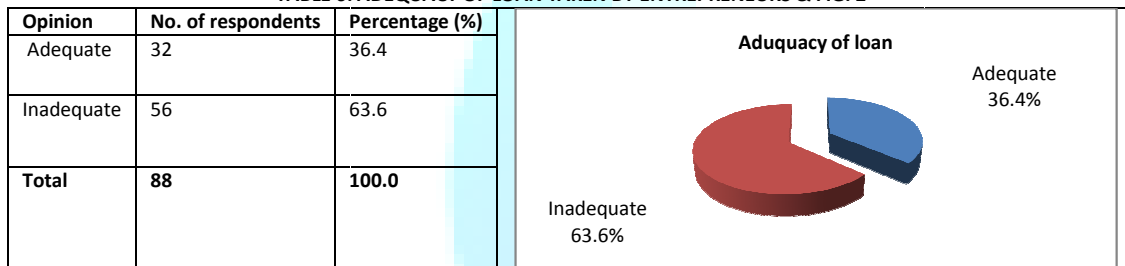
TABLE 5: LOAN TAKEN BY SMALL SCALE ENTREPRENEURS & FIG. 1



Source: Primary Survey

Table 5 shows that out of 100 respondents 88 entrepreneurs have taken loan and 12 entrepreneurs have not taken any type of loan. It reveals that a huge portion entrepreneur depends upon loan and needs to be financed by financial institutes, banks.

TABLE 6: ADEQUACY OF LOAN TAKEN BY ENTREPRENEURS & FIG. 2



Source: Primary Survey

The analysis reveals that out of 100 enterprises, 56 entrepreneurs accounting 63.6 percent found the loan to be inadequate whereas 32 entrepreneurs accounting 36.4 percent considered the same adequate. Accounting to them, the amount of loan is not sufficient to meet their requirement and needs to be provide sufficient finance to set up an enterprise.

TABLE 7: PURPOSE OF LOAN TAKEN BY SMALL SCALE ENTERPRENEURS

Purpose of loan	No. of Respondents	Percentage
Construction/ purchase of land & building	16	18.2
Purchase of plant & machinery	32	36.4
Purchasing of raw material for SSI/ MSI	12	13.6
Purchasing of goods for business	6	6.8
Purchasing of tools for SSI/MSI	6	6.8
Working capital	12	13.6
Any other	4	4.5
Total	88	100.0

Source: Primary Survey

FIG. 3

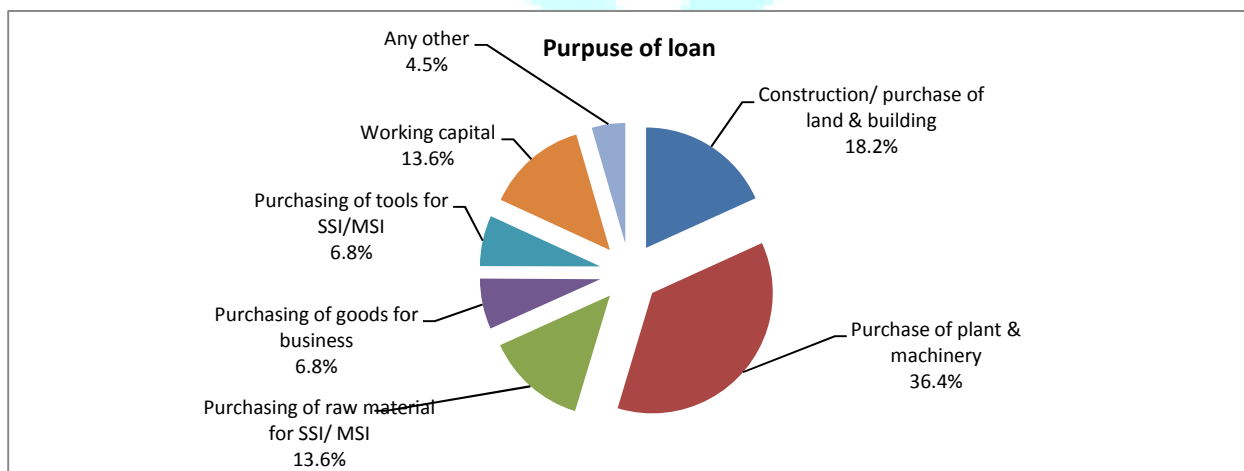


Table 7 shows that the financial assistance has been taken mainly 36.4 percent for purchase of plant and machinery, 18.2 percent for construction/purchase of land and building. 13.6 percent entrepreneurs have taken loan for the purpose of purchases of raw material for small scale industry and 13.6 percent beneficiaries have taken loan for working capital. 6.8 percent entrepreneurs taken loan for the purpose of purchasing goods for business.6.8 percent entrepreneurs have taken loan for the purpose of purchasing tools for small scale industry and 4.5 percent beneficiaries have taken loan for other purposes.

TABLE 8: FINANCE SOURCES OF ENTREPRENEURS

Finance sources	No. Of respondents	Percentage
Cooperative bank	18	20.5
Commercial bank	52	59.1
Cooperative societies	8	9.1
Pvt. bank, ICICI, IDBI etc	4	4.5
Money lender	4	4.5
Friends and Relative	2	2.3
Total	88	100

Source: Primary Survey

FIG. 4

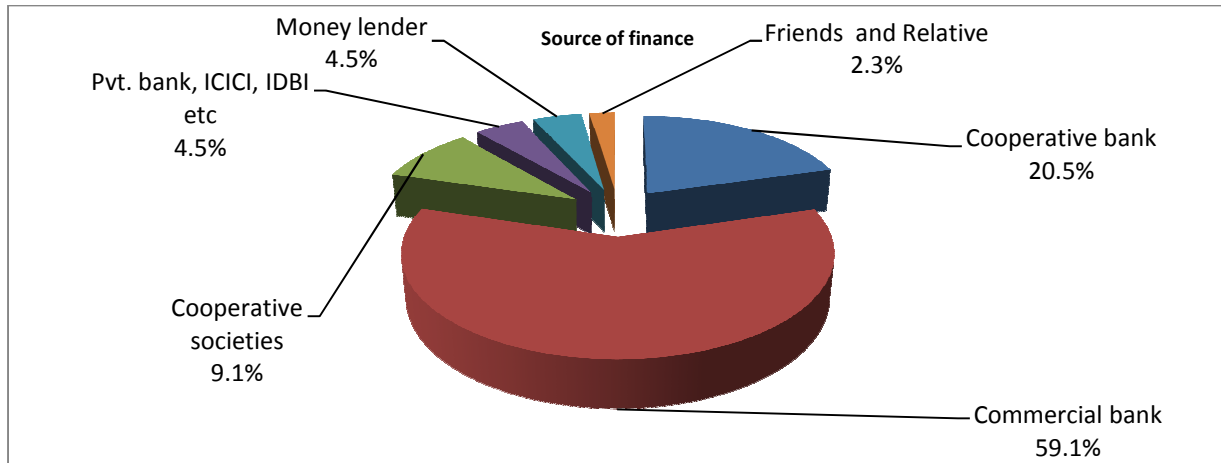
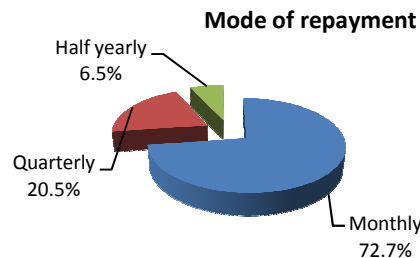


Table 8 shows that the sources providing loan to the entrepreneurs, which include co-operate bank, commercial bank, co-operate societies, relatives, private bank etc. It is inferred from table that 59.1 percent entrepreneurs have procured loan from commercial bank and 20.5 percent have taken loan from co-operative banks. About 9.1 percent entrepreneurs have taken loan from co-operative societies and 4.5 percent respondents have taken loan from Pvt. Bank, ICICI, IDBI etc., 4.5 percent also taken loan from money lender and 2.3 percent respondents have taken loan from friends and relatives. Hence it is concluded that the loan from commercial banks and cooperative societies are the major source of finance to fulfil the requirement of the entrepreneurs and need to be development of other financial imitations to provide lone in states.

TABLE 9: MODE OF REPAYMENT OF LOAN & FIG. 5

Period	No. Of respondents	Percentage
Monthly	64	72.7
Quarterly	18	20.5
Half yearly	6	6.8
Total	88	100.0

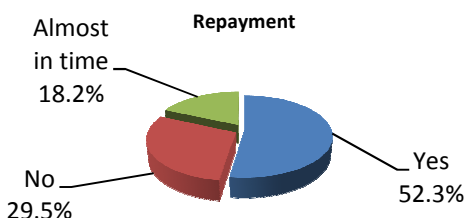


Source: Primary Survey

As per table 9 and figure 5, out of 88 respondents, a majority of the respondents have monthly repayment of bank loan 72.7 percent. Whereas 20.5 percent respondent have quarterly and 6.8 percent beneficiaries stated that the procedure of repayment of loan half yearly.

TABLE 10: REPAYMENTS OF LOAN & fig. 6

Opinion	No. of respondents	percentage
Yes	46	52.3
No	26	29.5
Almost in time	16	18.2
Total	88	100.0



Source: Primary Survey

Table 10 and figure 6 clearly depicts that out of 88 respondents who have taken loan. 52.3 percent returned the loan on due date while 29.5 percent have not returned the loan on time. 18.2 percent respondents have returned the loan almost in time. The overdue problem is very serious problem as it affects the flow of money and credit impediments in the smooth functioning of the bank.

TABLE 11: REASON FOR THE NON REPAYMENT OF LOAN

Reason	No. Of respondents	Percentage
Governments scheme of loan	4	9.52
Poor financial condition	7	16.67
Loss in business	12	28.57
Spent on daily need	10	23.81
High rate of interest	9	21.43
Total	42	100.0

Source: Primary Survey

FIG. 7

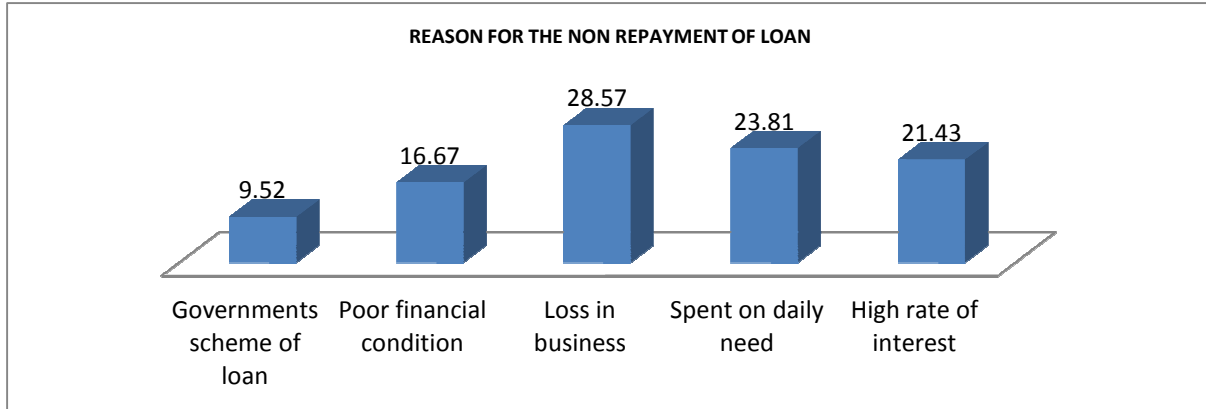


Table 11 reveals that 12 respondents accounting 28.57 percent of total have pointed loss in business as the reason for delay payment and 10 respondent accounting 23.81 percent have pointed failure to pay loan due to spend on daily needs and 9 respondent accounting 21.43 percent of total stated the cause of non repayment of loan due to high rate of interest. On the other hands 7 entrepreneurs accounting 16.67 percent have failure to pay loan due to poor financial condition and 4 entrepreneurs accounting 9.52 percent have failure to pay loan due to government scheme of loan. Hence, it can be concluded that the main reason for delay of payment is the loss in business and spend on daily needs, which are given in percents.

1.8 CONCLUSIONS

It is well known that the socio-economic factors like age, education starting before the enterprise and the regional background are important aspect of influencing the entrepreneur’s development everywhere. The analysis of the financial problems found that an 88 percent entrepreneur depends upon loan. In this contest filed survey reveals that 63.6 percent entrepreneurs opinion are loan provide by banks is inadequate. It is noted from the study that the loan from the commercial bank and co-operatives banks is the major source of the finance to fulfil their requirement of the entrepreneurs and 36.4 percent entrepreneurs take loan for purchasing of plant and machinery. On the other hands regarding repayments of loan 72.7 percent loanees have mode of repayment of loan monthly and who have taken loan, 52.3 percent have return the loan due date while 29.5 percent have not return the loan on time. So far as reasons for the delay of repayment of loan is concerned, majority of respondents admitted that there are mainly three reasons for this, First loss in business second is spend on daily needs and third high rate of interest.

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