A Study On The Aspects Inducing Access To Funds By The Small Scale Firms In Tamilnadu

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Abstract: Nowadays, a significant role in small scale firms has the prospective to donate considerably to monetary development and drop in poverty of a country by means of increased construction and employment opportunities. Even though the small scale firms are contingent on the ability to access to funds, their growth is continuously subsistent. In the context of India, the understanding of the growth of small scale firms led to the modification of policy through execution of the MSE Act 2016. This study is an endeavor to establish the aspects inducing the access to funds by the small and medium scale firms. This study focuses on the various factors that influence or induce the access to funds by the small and medium scale firms in Tamilnadu. Descriptive study is adopted by using both the primary as well as secondary data. The target population is about 11 lakhs small and medium scale firm in Tamilnadu. Likelihood sampling technique is used to collect the data from the sample of 150 respondents. This study focuses on the factors like irregularity of information, risks involved in business and the transactional costs. The transactional value acts as the most significant factor for the access to funds by the small scale firms.

Keywords: Access to funds, Amount borrowed, Business risk, Information, small scale firms, Transaction cost, economy

1 INTRODUCTION

It is clear that in any of the developing country, the industrial sector especially the small sector are acting as the back bone to the economy, however in India, less concern are given to industrialization particularly small firms until 1970s [1]. After that, the Indian government policy for the industrialization has been promoted over the controlled foreign trade administration [2]. This has discriminated or distinguished the large scale enterprises from the small scale enterprises. Meanwhile, the large scale enterprises were placed in a better position to acquire permit for importing raw material, capital equipment’s etc [3]. Also the large scale enterprises were better capable of acquiring tariff reimbursements proposed to ease some of the destructive effects of enhanced protection [4]. It is since the commencement of resolution for industry policy, the role of micro and the small firms were compelled for balanced development and individual growth [5]. So, the government made lots of efforts like providing subsidies, financial support, tax rebates etc [6]. Once after the industrial resolution 1977, the government policy had laid emphasis on the growth of small scale industries especially in small towns and in rural areas by means of promotion of handloom and khadi, village industries [7]. These kinds of initiatives motivated for the establishment of DIC (District Industries Center) in order to serve as important point for growth of small scale firms, particularly regarding the standardization and quality of product etc [8]. After 1991, the globalization process led to SEZs (Special economic zones). SEZs provided an empowering international climate and provide platform for enticing export oriented activities [9]. Hence, there is the necessity to enhance the functions of these enterprises by enhancing their promotion at the global level and their supply chain activities.

2 IMPORTANCE AND NEED OF THE STUDY

The small scale firms play a significant part in the economy of India, particularly in the rural part of India. The small scale firms mainly serve to the small firms and the self-employed people in the urban areas [10]. There is a fundamental change in the government policy to provide, and support by the small scale firms is increased among the consumers [11]. This change has shown the way of small scale firms, and the social status to provide factors have developed that speaks for the developing market for supportable and socially accountable services and products. The various dimensions adopted by the impact of small scale firms on regular involved in the factors affecting MSME’s access to finance. This is the main reason behind the researcher for choosing the research topic as aspects inducing access to funds by the small and medium scale firms in Tamilnadu

3 STATEMENT OF THE PROBLEM

The Small scale and Medium scale firms are an organizational function that contributes to the reduction of poverty and to the economic growth by means of increased employability and production process. There are severe changes in the business world concerning the task towards small scale firm’s long – term plan for development, places a solid prominence on the segment. Strategies targeting not only make a profit for the day but also long term wealth and eco-friendly sustainability have on track to become plans of the small scale firms. The significant aspect is that the aspects inducing access to funds by the small scale firms in Tamilnadu. On the other hand, there is growing interest among factors influences regarding finance. The proof all around the world points out that people are concerned regarding the financial actions and are altering their performance. Hence, the small scale firms have originated that for the developing economic market for the supportable and socially accountable products and services. To know the small scale firms practices and its impact in Tamilnadu

1. How to improve the marketing in services by Small scale firms?
2. What are the factors influences by finance in Small scale firms?
3. What are the problems and challenges of Small scale firms?
4 SCOPE OF THE STUDY
This study focuses with aspects inducing access to funds by small scale firms in Tamilnadu and its impact among the alternative credit source, cheap rural credit, productive borrowing, encouragement to saving and investment, improvement in farming methods and also rural credit survey, integrated scheme of rural credit, provision of finance, setting up of funds, strengthening of cooperative banking structure, are employed. The opinions of the MSMEs are also discussed with a view to the development of MSMEs in Tamilnadu.

5.1 OBJECTIVES OF THE STUDY
1. To know about small scale firms and the services offered by them in Tamilnadu.
2. To find out aspects inducing access to funds by small scale firms in Tamilnadu.

5.2 HYPOTHESIS OF THE STUDY
1. There is relationship between small scale firms and the medium scale firms by finance and factor influences variables.
2. There is no relationship between small scale firms and the medium scale firms by finance and factor influences variables.

5.3 SAMPLING PLAN
The population of the selected locations for the research is very large and all the respondents could not be interviewed due to practical difficulties. Only selected samples have been taken up for the study. Many MSMEs were unwilling to disclose their finance details, especially in credit source, cheap rural credit, productive borrowing, encouragement to saving and investment, improvement in farming methods and also rural credit survey. Hence the data were collected from the respondents who were willing to disclose the information. Simple random sampling method is used for the study. In order to have illustration from different socio economic groups cluster sampling is done to select the respondents. The research was taken by non-random sampling method.

5.4 STATISTICAL TOOLS FOR ANALYSIS
This study is based on primary data which were collected from the small scale firms through questionnaire. Secondary data are also utilized, which were collected from published source like books, journals, magazines and annual reports. The collected data were analyzed, edited and tabulated. Statistical tools (SPSS) were used to analyse the data. The tools like Measures of central tendency, One-way analysis of variance, measures of dispersion, K-means cluster analysis were used. Multiple discriminate analyses, multiple regression analysis, chi-square analysis, and percentage analysis have also been employed.

5.5 LOCATION OF THE STUDY
The research adopted the non-random sampling method. The respondents are residents of Tamilnadu in the age group of 20 years to 65 years, including the different strata of MSMEs respondents in 200 questionnaires were distributed to the collective spread over the Tamilnadu. Among them, 165 questionnaires were collected. In which 15 surveys were found incomplete and unusable. Hence, the accurate sample of the study is 150.

5.6 LIMITATIONS OF THE STUDY
The present study is only confined with small scale firms in Tamilnadu. Therefore, the findings of the study could not be generalized in any of the country or in any of the states. The instrument used to gather the data is another means of error. Interviews were conducted for this study, in spite of pre-tested does persist to be a cause of error.

Table 1

<table>
<thead>
<tr>
<th>Amount borrowed</th>
<th>Information</th>
<th>Business Risk</th>
<th>Transaction cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>-0.028</td>
<td>0.258**</td>
</tr>
<tr>
<td>Information</td>
<td>1</td>
<td>0.148&quot;</td>
<td>-0.053</td>
</tr>
<tr>
<td>Business Risk</td>
<td>1</td>
<td>-0.052*</td>
<td></td>
</tr>
<tr>
<td>Transaction cost</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed)

From the table 1, it is inferred that the correlation between amount borrowed and information asymmetry is = -0.028. This shows that there is a significant and positive but of course not a strong relationship between the information and the amount borrowed. The correlation value is found to be significant but not due to the option that the relationship between amount accessed and the risk involved in business is found from the table as p = -1.148, p= .052. This shows a negative relationship among the variables. Hence, there is no relationship between the variables since the p value is higher than 0.05.

6 REGRESSION ANALYSIS
The analysis of regression is done in this study in order to find out the impact of risk involved in business, information asymmetry and the cost on the access to funds by the small scale firms. The information requisition by the creditor regarding the business, the security level by the debtor, and the sum borrowed had been utilized as substitutions for information asymmetry, risk involved in business and the access to funds respectively.

Table 2

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>Regression Co efficient (Beta)Value</th>
<th>Standard Error</th>
<th>&quot;t&quot; Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction cost</td>
<td>(Constant)</td>
<td>7.541</td>
<td>1.342</td>
<td>5.617**</td>
</tr>
</tbody>
</table>
and the data estimated to and offered by the small scale firms. It is this information asymmetry act as the contributing variable against the advanced loan amount by the financial firms. The study came to a conclusion that the information asymmetry, even though it is not a important factor that influences the access to funds by the small scale firms. Risk management, of course in business had found as the significant factor that induces the loan availability by the small scale firms. The study recognized that about 48% of the small scale firms possess increased credit risk because of their operations higher than 2 loans. This might raise their risk of credit which the creditors might not be conscious of. The study is reliable with the survey of literature that shows that small scale firms possess meagre credit risk easing measures. The cost of transaction has been found to be an important predictor. It is this scenario might build to the requirement of the financial firms in threatening themselves from absence of access to the physical records or information on business concert of small scale firms. In order to protect themselves from the weak policies and procedures of risk management by the small scale firms, they might have raised the cost of transaction as per the sum of money borrowed. All the 3 questions of research have been supported, that includes information asymmetry, risk involved in business and the transactional costs. The most critical factor is found to be the transactional cost. This indicates the significance of demand side features in determining the quantity that the financial firms take into consideration while lending to small scale firms.

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