

## **Financial analysis of MSMEs financed by APSFC: A survey**

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### **Abstract**

Entrepreneurship development has been playing a pivotal role in strengthening the economic development of any country irrespective of its development trajectory. The fact that has to be digested is mainly because of fond of entrepreneurial spirit, the economic development of the people of any economy can be improved. But, actually the under developed and developing countries like India should have to indulge themselves in filling the entrepreneurial spirit in Young Turks, who are the conflagrations in bringing economic progress.

In addition to the contribution from Entrepreneurs, Development banks should also have to poke their nose in providing both financial and non-financial assistance to the Entrepreneurs in the form of relaxing the cumbersome procedure of registration process, creating friendly atmosphere for genuine entrepreneurs, liberalizing the norms in sanctioning and timely disbursement of loans by eradicating hurdles in receiving loans, moderate rates of interest, removing hindrances in starting of production, making available of adequate number of installments, healthy rate of return on investments and discouraging the indifferent attitude of the government officers towards beneficiaries, etc.

Eventually, for achieving the robust economic development for any country, the government itself has to fulfill its part in making available of both financial and non-financial assistance sufficiently alike, devising innovative policies and schemes in development banks which have to take a forward step in scrutinizing loan applications transparently and their timely disbursement of loan amounts, providing upgraded technology, drawing various training programmes for polishing the skills of entrepreneurs and imparting new knowledge, offering low interest rate loans, providing subsidies to motivate the entrepreneurs, etc.

If all these players do take a part in accomplishing the economic development of a country, then it will be achieved as smoothly as possible by encountering all the barriers who act as prickles in different stages of achievement.

**Keywords:** Investment, APSFC financing, repayment details, problems.

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### **Introduction**

Industrialization through entrepreneurship development is now considered to be the most effective means of achieving economic development not only of a country but also of its various regions in a balanced manner. A country is underdeveloped mainly because of lack of entrepreneurship. The environment of an underdeveloped country is not favorable for the emergence of entrepreneurship. The consequence is lack of entrepreneurial spirit results in underutilization of resources, leading to low level of industrial output, which in turn affects economic progress. Entrepreneurship, therefore, becomes the ultimate determinant of economic development of any country irrespective of its development.

In India, Development banks also constitute an important policy instrument, in addition to the monetary and fiscal policies available for industrial development in the context of their intervention for bringing about desired allocation of adequate capital resources among different sectors of industries and different regions. State Financial Corporations (SFC) are conceded as the country's regional development banks and are mainly intended to be important instrument for fostering the development of any economy. In pursuance of the provisions of SFCs Act 1951, the Andhra Pradesh State Financial Corporation (APSFC) came into existence in November 1956, consequent upon the formation of Andhra Pradesh State. APSFC recorded a phenomenal growth in its operations between 2003-04 and 2014-15. However, how so far this credit development is able to contribute to the

development of micro small and medium industries needs an extensive examination.

The present paper is concerned with the effect of opinions on micro small and medium enterprises development. It seeks to analyse some of the direct effects of credit support given by APSFC to micro small and medium enterprises development in Nellore district of Andhra Pradesh over a period of time from 2003-04 to 2014-15.

### **Methodology**

The data has been collected from the primary sources like field survey, which is related to the study and the inferences drawn from the filed survey. Beneficiaries of APSFC had been considered as sample units. The sample units were selected by using Simple Random Sampling Without Replacement (SRSWR) from the study district. 96 (25 percent) respondents were selected from Nellore district particularly from agro and allied, forest, chemical, engineer, electrical & electronic and miscellaneous industries. The data thus collected have been analysed by using the suitable statistical tools for specific interpretation.

### **Objectives**

1. To evaluate the performance of MSME financed by APSFC.
2. To examine the reasons for overdues of MSMEs financed by APSFC.
3. To analyse the opinions of MSME towards the interest rates on loans provided by APSFC.

4. To identify the problems of Micro Small and Medium Enterprises.
5. To offer viable suggestions for nurturing entrepreneurial spirit of MSME.

### Performance evaluation of MSME

Table-1 draws a comparative study of how much progress that the growth in Investment size was able to bring in Sales/Output and eventually in profits between the two periods 2003-04 and 2014-15. Among 96 industries under various industrial categories, the investment of 17 Agro based industries raised from Rs. 486.30 lakh, comprised a contribution of Rs. 78.73 lakh in the form of loans from APSFC, led to Rs. 143.86 lakh Sales/Output with realization of Rs. 26.30 lakh revenue from Sales/Output and Rs. 5.41 lakh of return on investment in 2003-04 to Rs. 525.20 lakh, included a portion of Rs. 37.82 lakh APSFC loans, assisted in realizing Rs. 252.14 lakh Sales/Output with Rs. 84.58 lakh profit and Rs. 5.41 lakh of return on investment in 2014-15.

The investment of Rs. 433.69 lakh included Rs. 74.17 lakh APSFC loan of 12 forest based industries produced Sales/Output of Rs. 98.62 lakh from which Rs. 18.03 lakh profit and Rs. 4.16 lakh return on investment were earned. Besides, the percentages of APSFC loan to investment and profit to total sales were 17.10 per cent and 18.28 per cent in 2003-04. Whereas, in 2014-15, the investment of Rs. 672.54 lakh which consisted of Rs. 67.78 lakh APSFC loan (10.08 per cent of total investment) achieved Sales/Output of Rs.174.96 lakh with Rs. 61.37 lakh profits (35.08 per cent of total sales) and return on investment was Rs. 9.13 lakh.

Between 2003-04 and 2014-15, 16 chemical based industries investment size zoomed from Rs. 709.49 lakh, comprised APSFC loan of Rs. 137.28 lakh ( 19.35 per cent of total investment), pushed to have Sales/Output value of Rs.138.66 lakh with Rs. 34.16 lakh of profit (24.64 per cent of total sales) and Rs. 4.81 lakh of return on investment to Rs.1304.32

lakh, encompassed APSFC loan of Rs.137.28 lakh (9.77 per cent of total investment), endeavored Rs. 138.66 lakh Sales/Output with Rs.85.11 lakh of profit (33.17 per cent of total sales) and Rs.6.53 lakh of return on investment.

A total of 22 engineering based industries investment of Rs. 914.56 lakh, included Rs. 123.84 lakh APSFC loan produced Sales/Output of Rs. 198.13 lakh from which Rs. 64.47 lakh profit and Rs. 7.05 lakh return on investment were earned. Besides, the percentages of APSFC loan to investment and profit to total sales were 13.54 per cent and 32.54 per cent in 2003-04. Whereas, in 2014-15, the investment of Rs.1626.38 lakh which consisted of Rs.156.83 lakh APSFC loan (9.64 per cent of total investment) achieved Sales/Output of Rs.349.12 lakh with Rs.137.46 lakh profits (39.37 per cent of total sales) and return on investment was Rs.8.45 lakh.

Sales/Output of 14 Electrical based industries escalated from Rs.129.65 lakh earned Rs.33.04 lakh profit (25.48 per cent of total sales) with a significant contribution of Rs.517.15 lakh investment, consisted of Rs.100.80 lakh of APSFC loan (19.49 per cent of investment) and return on investment of Rs.6.39 lakh in 2003-04 to Rs.216.20 lakh extracted Rs.69.57 lakh (32.18 per cent of total sales) with a noteworthy contribution of Rs.1192.53 lakh investment, consisted of Rs.114.53 lakh of APSFC loan (9.60 per cent of investment) and return on investment of Rs.5.83 lakh in 2014-15.

During 2003-04 and 2014-15 study period, 15 miscellaneous industries investment acquiring capacity in achieving a growth of Rs.112.05 lakh in Sales/Output from with Rs.38.81 lakh profit (34.64 per cent of total sales) rose from Rs.553.32 lakh, contained Rs.101.63 lakh APSFC loan (18.37 per cent of total investment) and Rs.7.01 lakh return on investment to Rs.902.45 lakh of investment, took in Rs.56.29 lakh APSFC loan (6.24 per cent of total investment) and Rs.9.61 lakh return on investment with Rs.230.78 lakh in Sales/Output from with Rs.86.72 lakh profit (37.58 per cent of total sales).

**Table 1:** Industry-wise investment position and progress of MSME's Sales and profits between 2003-04 and 2014-15

Rs. In lakh

Industry Group	Units	2003-04							2014-15						
		Investment	APSFC loan	Sales/Output	Profit	% of APSFC loan to investment	% of profit to total sales	ROI	Investment	APSFC loan	Sales/Output	Profit	% of APSFC loan to investment	% of profit to total sales	ROI
Agro-based	17	486.30(28.61)	78.73(4.63)	143.86(8.46)	26.30(1.55)	16.19	18.28	5.41	525.20(30.89)	37.82(2.22)	252.14(14.83)	84.58(4.98)	7.20	33.54	16.10
Forest Based	12	433.69(36.14)	74.17(6.18)	98.62(8.21)	18.03(1.50)	17.10	18.28	4.16	672.54(56.05)	67.78(5.65)	174.96(14.58)	61.37(5.11)	10.08	35.08	9.13
Chemical	16	709.49(44.34)	137.28(8.58)	138.66(8.66)	34.16(2.14)	19.35	24.64	4.81	1304.32(81.52)	127.49(7.97)	256.60(16.03)	85.11(5.32)	9.77	33.17	6.53
Engineering	22	914.56(41.57)	123.84(5.63)	198.13(9.01)	64.47(2.93)	13.54	32.54	7.05	1626.38(73.93)	156.83(7.13)	349.12(15.87)	137.46(6.25)	9.64	39.37	8.45
Electrical	14	517.15(36.94)	100.80(7.20)	129.65(9.26)	33.04(2.36)	19.49	25.48	6.39	1192.53(85.18)	114.53(8.18)	216.20(15.44)	69.57(4.97)	9.60	32.18	5.83
Miscellaneous	15	553.32(36.89)	101.63(6.78)	112.05(7.47)	38.81(2.59)	18.37	34.64	7.01	902.45(60.16)	56.29(3.75)	230.78(15.39)	86.72(5.78)	6.24	37.58	9.61
Total	96	3614.51(37.65)	616.45(6.42)	820.97(8.55)	214.81(2.24)	17.05	26.17	5.94	6223.42(64.83)	560.73(5.84)	1479.80(15.41)	524.81(5.47)	9.01	35.46	8.43

**Note:** Figures in parenthesis represent the averages.

**Source:** Field Survey

The overall analysis of the data led to deduce that the growth trajectory of Sales/Output elevated substantially due to relaxing the cumbersome norms in sanctioning and disbursement of loans by APSFC, adequate availability of both fixed and working capitals, accomplishing enormous productivity in operating efficiency of the production process via controlling of costs, good quality of raw material, upgraded technology and effective management led to achieve good profits and return on investments.

### Repayment performance of MSMEs

Repayment of loans is one of the most important prerequisites of effective recycling of funds in financial institutions. Non-repayment of loans leads to the problems of non-performing assets and hence losses will be occurred. The repayment performance of APSFC loans taken by the sample units in Nellore district is furnished in table-2. It could be seen from the table that the 96 sample units in the district had agreed to repay the term loans in 14,946 installments. Out of those, the units have actually repaid 7,590 or 51 per cent of installments. The units have a huge heap of 5,082 overdues or 34 per cent of agreed installments by March 2015. As on date, the units were required to pay still 2,274 or 15 per cent of agreed installments. Though half of the overdues were paid, the units

had to still pay about 50 per cent of loan amount by March 2015.

There were considerable variations among the repayment of agreed installments to APSFC among different categories of units. For instance, engineering and agro based and allied units in the district each paid about 55 per cent of agreed installments. These units were also unable to clear the agreed overdues. While about 35 per cent and 30 per cent of the agreed installments were not able to be paid by engineering and agro based and allied units respectively. The former units were required to pay still about 12 per cent of agreed installments, while the latter units were required to pay still about 15 per cent of installments. Next to engineering and agro based and allied units, forest based units put up good repayment performance. These units repaid about 53 per cent of agreed installments regularly. Nevertheless, these units were also unable to clear about 22 per cent of agreed installments and still needed to pay about 25 per cent of agreed installments to APSFC by March 2015. Electrical and miscellaneous units in the district showed relatively poor performance in the repayments. These units each paid only about 46 per cent of agreed installments, also failed to repay the maximum proportion of about 42 per cent of installments by March 2015 and were required to pay about 16 per cent each of agreed installments.

**Table 2:** Repayment details of APSFC loans by the units till March 2015

Industry group	Sanctions & Disbursements		Paid		Overdues		Outstandings	
	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount
Agro based & allied	2664(100.00)	7873.46(100.00)	1452 (54.50)	4286.42(54.44)	792(29.73)	2420.16(30.74)	420(15.77)	1166.88(14.82)
Forest Based	2120(100.00)	7416.89(100.00)	1127 (53.16)	3472.16(46.81)	457(21.56)	1372.62(18.51)	536(25.28)	2572.11(34.68)
Chemical based	2583(100.00)	13728.01(100.00)	1246 (48.24)	5276.32(38.43)	866(33.53)	4752.45(34.62)	471(18.23)	3699.24(26.95)
Engineering	3231(100.00)	12383.75(100.00)	1765 (54.63)	6282.64(50.73)	1139(35.25)	4623.75(37.34)	327(10.12)	1477.36(11.93)
Electrical	2122(100.00)	10080.36(100.00)	971 (45.76)	4732.15(46.94)	877(41.33)	3654.11(36.25)	274(12.91)	1694.10(16.81)
Miscellaneous	2226(100.00)	10162.53(100.00)	1029 (46.23)	4479.66(44.08)	951(42.72)	4143.64(40.77)	246(11.05)	1539.23(15.15)
Total	14946(100.00)	61645.00(100.00)	7590 (50.78)	28529.35(46.28)	5082(34.00)	20966.73(34.01)	2274 (15.21)	12148.92(19.71)

**Note:** 1. Overdues amount excludes the interest, penalties and other charges.

2. Figures in parenthesis represent the percentages.

**Source:** Field Survey

In short, while engineering and agro based and allied units were relatively regular in repayment and electrical and miscellaneous units put up relatively poor performance in terms of repayments.

### Reasons for non-payment of loans

Having discussed the category wise and division wise loan repayment details would be pertinent to analyse the underlying causes for non-repayment of loan installments as per schedule by the micro small and medium units. As is clear from table-3, which incorporates the underlying causes, inadequate net income was the major reason for the non-repayment of loans as per schedule by the MSME units in the district. This factor seemed to be the major reason in 26 per

cent of units including a majority of 5 engineering units. The next major reason for the non-repayment of loan installments as per schedule seemed to be diversion of funds for other uses. This took place in 13 or about 18 per cent of the units. The other important reasons for non-repayment of loans were high interest rates (9 per cent), industrial sickness (7 per cent), willful defaulters (5 per cent) and heavy amount of repayment (4 per cent) itself. There were also other reasons like non-commissioning of units as per schedule, low profits, employment of entrepreneurs in some other jobs etc. Ultimately, the analysis of the data interprets that there are innumerable reasons for the non-repayment of loans by the entrepreneurs

**Table 3: Industry-wise reasons for non-repayment of loans**

Reasons	Agro based	Forest based	Chemical based	Engineering based	Electrical based	Miscellaneous based	Total
Non commissioning of units	--	--	--	--	1	1	2(2.70)
Heavy amount of repayment	2	1	--	2	1	1	7(9.46)
Inadequate income	2	3	2	5	4	3	19(25.68)
Interest rate is very high	2	2	1	--	1	1	7(9.46)
Diversion of funds	3	1	2	3	2	2	13(17.57)
Unprofitable units	--	1	--	--	--	--	1(1.35)
Willful defaulter	2	1	--	1	--	--	4(5.41)
Because of sick	--	--	1	2	1	1	5(6.76)
Installment amount is very high	1	--	1	1	--	--	3(4.05)
Installment period is very less	1	1	2	2	1	2	9(12.16)
Employed elsewhere	--	--	2	--	--	1	3(4.05)
Others	--	--	--	--	--	1	1(1.35)
Total	13(17.57)	10(13.51)	11(14.86)	16(21.62)	11(14.86)	13(17.57)	74(100.00)

**Note:** The remaining 22 units were regular in repayment and they cleared the loans as per schedule

Figures in parenthesis represent the percentages

**Source:** Field Survey

### Interest rates on loans of APSFC

The opinions of the entrepreneurs were also elicited on the rates of interest charged on the loans provided by APSFC. Table-4 contains the relevant information about this. As could be seen from the table out of 96 entrepreneurs, 33 (about 34 per cent) entrepreneurs felt that the rate of interest charged by APSFC was normal and hence they did not find any problems. On the other hand, 25 entrepreneurs (about 26

per cent) expressed their satisfaction over the rates of interest and another 6 entrepreneurs (6.25 per cent) were highly satisfied with the rates of interest charged by APSFC. However, 28 entrepreneurs (29 per cent) were not satisfied with the rates of interest and another 4 entrepreneurs (4.11 per cent) were highly dissatisfied with the rates of interest charged by the corporation.

**Table 4: The opinions of entrepreneurs about the interest rates on loans of APSFC**

Industry Group	Entrepreneurs' opinion on interest rates					Total
	Highly satisfied	Satisfied	Normal	Dissatisfied	Highly dissatisfied	
A. Agro-based & allied	1	6	4	5	1	17 (17.71)
B. Forest Based	--	3	5	4	--	12 (12.50)
C. Chemical based	2	4	4	5	1	16 (16.67)
D. Engineering	2	5	7	6	2	22 (22.92)
E. Electrical & Electronic	--	3	6	5	--	14 (14.58)
F. Miscellaneous	1	4	7	3	--	15 (15.63)
Total	6(6.25)	25(26.04)	33(34.38)	28(29.17)	4(4.17)	96(100)

**Note:** Figures in parenthesis represent the percentages

**Source:** Field survey

Among different categories of units, broadly a systematic pattern seemed to have been observed. In other words, a large numbers of entrepreneurs expressed the opinion that the rates of interest charged were normal. On the other hand, more or less equal number of entrepreneurs expressed their opinions that they were satisfied and dissatisfied with the rates of interest charged. Thus, it could be interred that the type of units and their opinions about the rates of interest were independent on each other.

### Barriers for delay in production

Out of 96 units surveyed in the present study, 68 units commenced the production activity with delay. An attempt was made to probe into the possible causes for the delay in production by the units concerned. The relevant information was furnished in table-5. It could be observed from the table that out of 68 units, a major proportion of about 31 per cent of entrepreneurs felt that lack of working capital was the main

reason for the delay in production in their units. Among those who expressed this opinion, 5 units belonged to forest based units, 4 each belonged to engineering and miscellaneous units, 3 each belonged to agro based and allied and chemical units and only one unit belonged to electrical and electronic units.

**Table 5: Industry-wise barriers for delay in production**

Reasons	Industry Group						Total
	Agro	Forest	Chemical	Engineer	Electrical	Miscellaneous	
APSFC's non-cooperation	3	3	4	3	3	3	19(27.94)
APSFC's Slackness	2	1	2	3	3	1	12(17.65)
Lack of working capital	3	5	3	4	2	4	21(30.88)
Non-availability of raw material	2	1	2	1	2	1	9(13.24)
Labour problems	1	--	1	2	--	1	5(7.35)
Others	--	--	--	1	--	1	2(2.94)
Total	11(16.18)	10 (14.71)	12(17.65)	14(20.59)	10(14.71)	11(16.18)	68(100.00)

**Note:** 11 enterprises started production programme as per schedule

17 units were already existing enterprises

Figures in parenthesis represent the percentages

**Source:** Field Survey

The next important reason cited for the delay in production was non-cooperation from APSFC. About 28 per cent of the entrepreneurs in Nellore district expressed the opinion that non disbursement of installments as per schedule insisting on documents that could not be produced etc. were the reasons for the delay in production in their units. Out of 19 units that expressed this opinion, 4 belonged to chemical units, 3 each belonged to other five categories of units listed in the table. The least important problem highlighted by the units for the delay in production was labour problems.5 (7.35 per cent) units endorsed this opinion. Out of these 5 units, 2 units belonged to engineering units and one unit each belonged to agro based chemical and miscellaneous units. Thus, lack of working capital and non-cooperation and slackness on the part of APSFC together explained a larger proportion of reasons for the delay in production by the units under consideration.

### Marketing Problems

Table-6 presents the marketing problems encountering the selected MSMEs in SPSR Nellore district during 2003-04 to 2014-15. Out of 17 agro based industries, a gigantic portion of 6 enterprises (35.29 per cent) conceived heavy competition from other products, 5 enterprises (29.54 per cent) each felt price competition and inadequate sales promotion, 4 enterprises (23.53 per cent) each highlighted slackness in demand and heavy marketing cost, 3 enterprises (17.65 per cent) recognized competition with large scale units, 2 enterprises (11.76 per cent) opined inefficient sales force and one enterprise (5.88 per cent) each perceived failed to identify consumer needs, natural calamities and less concentration on marketing as major problems while marketing their products.

Out of 12 forest based industries, 7 enterprises (58.33 per cent) each were suffering from price competition and heavy competition from other products, 4 enterprises (33.38 per cent) each experiencing pain from slackness in demand and inadequate sales promotion, 3 enterprises (25.00 per cent) each getting anguished by inefficient sales force and heavy marketing cost, 2 enterprises (16.67 per cent) agonized by failed to identify consumer needs, one enterprise (8.33 per cent) each suffering from uncertainties in politics and less concentration on marketing.

Of 16 chemical based industries, 8 enterprises (50.00 per cent) perceived heavy competition from other products, 5 enterprises (31.25 per cent) each felt price competition,

inadequate sales promotion, inefficient sales force, heavy marketing cost, 3 enterprises (18.75 per cent) each recognized slackness in demand, failed to identify consumer needs and 2 enterprises (12.50 per cent) each getting heat from competition with large scale units, uncertainties in politics as main problems.

8 enterprises (36.36 per cent) were suffering from heavy competition from other products, 7 enterprises (31.82 per cent) each experiencing pain from inadequate sales promotion and heavy marketing cost, 6 enterprises (27.27 per cent) each getting anguished by price competition and inefficient sales force, 5 enterprises (22.73 per cent) each agonized by slackness in demand and competition with large scale units, 3 enterprises (13.64 per cent) suffering from failed to identify consumer needs and 2 enterprises (9.09 per cent) from less concentration on marketing and one enterprise (4.55 per cent) each being encountered by natural calamities and uncertainties in politics out of 22 engineering based enterprises.

Under electrical based category, heavy competition from other products suffering 5 enterprises (35.71 per cent), inadequate sales promotion and marketing cost acting as prickles to 4 enterprises (28.57 per cent) each, 3 enterprises (21.43 per cent) each being anguished by price competition, competition with large scale units and inefficient sales force and 2 enterprises (14.29 per cent) reported slackness in demand, one enterprise (7.14 per cent) each suffering from failed to identify consumer needs, uncertainties in politics and less concentration on marketing.

Out of 15 miscellaneous industries, 6 enterprises (40.00 per cent) were suffering from heavy competition from other products, 5 enterprises (33.33 per cent) heated by heavy marketing cost, 4 enterprises (26.67 per cent) each experiencing pain from slackness in demand, price competition, competition with large scale units and inefficient sales force, 3 enterprises (20.00per cent) getting anguished by inadequate sales promotion, 2 enterprises (13.33 per cent) each agonized by failed to identify consumer needs and uncertainties in politics and one enterprise (6.67 per cent) suffering from concentration on marketing.

In short, the problems such as heavy competition from other products, price competition, inadequate sales promotion, heavy marketing cost and inefficient sales force are deteriorating the efficiency of their marketing activity.



**Table 6:** Marketing problems of MSME

Problems	Agro (17)	Forest(12)	Chemical(16)	Engineer (22)	Electrical(14)	Miscellaneous (15)	Total (96)
Price competition	5(29.41)	7(58.33)	5(31.25)	6(27.27)	3(21.43)	4(26.67)	30(31.25)
Slackness in demand	4(23.53)	4(33.33)	3(18.75)	5(22.73)	2(14.29)	4(26.67)	22(22.92)
Heavy Competition from other products	6(35.29)	7(58.33)	8(50.00)	8(36.36)	5(35.71)	6(40.00)	40(41.67)
Competition with large scale units	3(17.65)	2(16.67)	2(12.50)	5(22.73)	3(21.43)	4(26.67)	19(19.79)
Inadequate sales promotion	5(29.41)	4(33.33)	5(31.25)	7(31.82)	4(28.57)	3(20.00)	28(29.17)
Inefficient sales force	2(11.76)	3(25.00)	5(31.25)	6(27.27)	3(21.43)	4(26.67)	23(23.96)
Heavy marketing cost	4(23.53)	3(25.00)	5(31.25)	7(31.82)	4(28.57)	5(33.33)	28(29.17)
Failed to identify consumer needs	1(5.88)	2(16.67)	3(18.75)	3(13.64)	1(7.14)	2(13.33)	12(12.50)
Natural calamities alike floods, cyclones	1(5.88)	--	--	1(4.55)	--	--	2(2.08)
Uncertainties in politics	--	1(8.33)	2(12.50)	1(4.55)	1(7.14)	2(13.33)	7(7.29)
Less concentration on marketing	1(5.88)	1(8.33)	--	2(9.09)	1(7.14)	1(6.67)	6(6.25)
Total	32(188.24)	34(283.33)	38(237.50)	51(231.82)	27(192.86)	35(233.33)	217(226.04)
Rank (based on percentage)	I	VI	V	III	II	IV	--

**Note:** Figures in parenthesis represent the percentages.

**Source:** Field survey

### General problems of and suggestions given by MSMEs to APSFC

The sample micro small and medium scale units encountered several teething problems from different angles that greatly hampered the successful functioning of the units. Six major problems were identified and analysed in table-7. As could be observed from the table a considerable number of 21 (22 per cent) units faced problems with APSFC Nellore. Among these, engineering units constituted largest proportion. About

20 (21 per cent) units faced problems with other agencies like banks, municipality, etc. About 18 (19 per cent) units suffered problems in the registration of their units with District Industries Centre (DIC). Out of these 18 units faced with the registration problem, the major sufferers were chemical units as 7 out of 16 units were confronted with this problem. Transportation also seemed to be an important problem for the study units as 17 or about 18 per cent of the units were confronted with this problem.

**Table 7:** General Problems encountering the entrepreneurs

Reasons	Industry Group						
	Agro	Forest	Chemical	Engineer	Electrical	Miscellaneous	Total
Problems of registration	1	3	7	3	2	2	18(18.75)
Problems with SFC	3	2	4	5	3	4	21(21.88)
Problems with other agencies	5	3	2	4	4	2	20(20.83)
Problems with transportation	4	2	--	6	2	3	17(17.71)
Govt. interference	3	2	3	2	--	2	12(12.50)
Others	1	--	--	2	3	2	8(8.33)
Total	17(17.71)	12(12.50)	16(16.67)	22(22.92)	14(14.58)	15(15.63)	96(100.00)

**Note:** Figures in parenthesis represent the percentages

**Source:** Field Survey

Among those who faced the problem of transportation, engineering units constituted the largest proportion. Interference of officials of various government departments also hampered the smooth functioning of the units. About 13 per cent of the units were affected by the undue interference of the government officials belonging to various departments. In the light of the problems discussed in the working of the units, and the problems encountered from APSFC and other agencies, an effort was made to elicit the suggestions from the entrepreneurs for the improved provision of services by the APSFC. Table-8 incorporates some suggestions offered by the interpreters of MSMEs in Nellore district. The major suggestion offered by the units is related to provision of

additional working capital. At present, the APSFC provided only term capital meant for purchase of plant and machinery. The units found difficulty in obtaining working capital from banks and other financial institutions because again the units had to fulfill all the formalities that were completed by them in order to obtain term loans from APSFC. This would be a laborious process. Hence, it would be better if APSFC made some arrangements to provide working capital by itself or through some banks without any need for the units to approach the banks afresh. Another important suggestion made by a large number 20 (27.03 per cent) units was the reduction in the rate of interest.

**Table 8:** Suggestions from the beneficiaries to APSFC, Nellore

Suggestions	Industry Group						Total
	Agro	Forest	Chemical	Engineer	Electrical	Miscellaneous	
To provide additional working capital	5	3	2	3	4	4	21(28.38)
To provide raw material at Concessional rates	1	2	1	3	2	--	9(12.16)
To provide technical services frequently	--	--	1	1	--	--	2(2.70)
Control of labour demands	--	--	1	2	1	1	5(6.76)
To reduce the interest rates	4	2	2	3	4	5	20(27.03)
To control of Govt.interference and the corruption	2	3	2	2	--	2	11(14.86)
To exempt taxes like pollutiontax, etc.	1	--	2	2	--	1	6(8.11)
Total	13(17.57)	10(13.51)	11(14.86)	16(21.62)	11(14.86)	13(17.57)	74(100.00)

**Note:** The remaining 22 units were regular in repayment and they cleared the loans as per schedule  
 Figures in parenthesis represent the percentages

**Source:** Field survey

Since APSFC provided long term capital, high interest rates would be burdensome to the units. Hence, the units pleaded for further reduction in the interest rates on term loans. About 15 per cent of the units wanted the reduction in the government interference and corruption among government officials. About 12 per cent of the units wanted the raw materials to be provided at concessional rates as the rate of returns and profitability were very low in micro small and medium industrial units. The other important suggestions made were exemption of units from the payment of pollution tax, control of undue demands of labour, etc.

### Summary

All the entrepreneurs faced a number of difficulties was primarily found during the period of our study. The collected responses covered a long list of problems faced by the entrepreneurs. Majority of the respondents stated that their applications for the financial assistance were either delayed, pending for a long time or rejected. Due to problems such as cumbersome procedure of registration process, stress for genuine entrepreneurs, delay in sanctioning of loans due to collateral security, impediments in timely disbursement of loans, hurdles in receiving in loans, low profits, higher rates of interest, hindrances in starting of production, less number of installments, lower rate of return on investments and the indifferent attitude of the government officers towards beneficiaries was discouraging.

In addition to these, unnecessary government interferences, power problems, tax burden, heavy cost of material, labour and transportation, problems for upgraded technologies, stiff competition from big units and deteriorating entrepreneurial spirit are acting as prickles in the development of MSME sector.

### Suggestions

It should be robustly recommended the following suggestions as per the field survey.

- Liberalizing the norms associated with the registration process and terms and conditions in sanctioning and disbursement of loans of APSFC.
- The APSFC should not stress on security in case of genuine entrepreneurs as they hardly possess any property to offer it as a collateral security.
- Attention is also needed to be given to reduction of interest rates, as they are too high in India in comparison of other industrialised countries.

- Assistance should not only confine to providing finances, but also affording non-financial assistances alike upgraded technologies.
- The Entrepreneurship Development Programmes (EDPs) and various schemes of incentives in backward areas should be continued.
- Subsidies and concessions should be given timely and adequately to entrepreneurs as they are solely depended on the assistance.
- Assassinating the fear of loss and uncertainty and make them to expand the entrepreneurial activities as smoothly as possible from all round support.

It was noticed that the indifferent attitude of the government officers towards beneficiaries was discouraging. It is strongly recommended that the negative attitude of government officers, must be rooted out and the beneficiaries should be given respectable treatment so that they are motivated and encouraged.

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