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Root Cause of Indian Startups' Failure: An Empirical Study

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Abstract – In order to achieve the target of 5 trillion economy, India needs to exploit its existing resources and to develop entrepreneurs mainly in small scale sector. We are a growing economy which is based on agriculture followed by manufacturing and service sector. In last decade the contribution of manufacturing and service sector in Indian economy is growing at a faster rate. Due to many policies framed by the government new entrepreneurs are coming up with new business ideas. The culture of startups is developing in India. The young generation prefers to start their own business rather than joining existing companies. Often these new ideas face financial difficulties mainly during the startup phase. A big number of SMEs are in scarcity of funds, they have yet to tap into the funds provided by the banks. Only a small portion of SMEs thus far have successfully received this funding and this big gap poses a question mark and triggers the need to conduct a study. Though there are a number of programs offered by the government but due to the red tapes, various formalities and the rigidity of the procedures, it hampers the smooth success of the programs. In the study the responses are collected from 310 entrepreneurs in the Delhi and NCR area, who are in the process of expanding their new startups.

Key Words: Startups, SMEs, MSME, Performance, marketing-mix, standardization, export commitment, competition, foreign market development

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1. INTRODUCTION

New and small entrepreneurs are playing a significant role in development and growth of Indian economy. The Indian MSME sector consists of 36 million units provides employment to over 80 million manpower. The sector through more than 6000 products contributes about 8% to GDP besides 45% to the total manufacturing production and 40% to the exports from the nation. SME's contribution towards Indian economy growth is at large. Indian SMEs are classified according to Micro Small and Medium Enterprise (MSME) Development Act 2006 considering investment for manufacturing sectors and service sectors both it considers investment in plant and machinery. Government of India has established many industrial estates, industrial parks, special economic zones for attracting SME's status. They by many associations, chambers and supporting trade unions were created for conferring and solving SME's concerns and challenges. This paper highlights financial constraints and challenges faced by SME's in India. This paper also develops a compilation matrix for collecting review of literature, thereby finalizing the variables for developing a conceptual model. Hence from the study it is known that SME's are facing challenges relating to lack of finance, lack of infrastructure, lack of network, lack of information, lack of production facilities, lack of marketing skills etc.

Big organizations have a considerably more extensive area for sorts of assets than the small company. A small company is mainly limited to here and now borrowings from banks which do not fit much in the method for term arranging. There has been some advance as of late by different government organizations to right this lack. The government Small Business Service and State Development Companies have been set up to organize this important kind of long haul financing. Substantial organizations can all the more promptly procure these long range supports through open offerings of stocks and bonds without surrendering functional control of the business. This road is greatly constrained to the small company, because of the high cost, absence of securities advertises, and the unwillingness by the key proprietors to impart value coupled to control to others.

Study shows that of the overall finance demand of INR 32.5 trillion1 ($650 billion), 78 percent, or INR 25.5 trillion ($510 billion) is either self-financed or from informal sources. Formal sources cater to only 22 percent or INR 7 trillion ($140 billion) of the total MSME debt financing. Within the formal financial sector, banks account for nearly 85 percent of debt

[1] RBI, SIDBI, Sa-Dhan, Annual Reports of NBFCs , SME Times-2010, Primary Research, IFC-Intellecap Analysis

supply to the MSME sector, with Scheduled Commercial Banks comprising INR 5.9 Trillion (USD 118 Billion). Non-Banking Finance Companies and smaller banks such as Regional Rural Banks (RRBs), Urban Cooperative Banks (UCBs) and government financial institutions (including State Financial Corporation and State Industrial Development Corporations) constitute the rest of the formal MSME debt flow. Within the informal financial sector non-institutional sources include family, friends, and family business, while institutional sources comprise moneylenders and chit funds.

SMEs have been playing a pivotal role in country's overall economic growth, and have achieved steady progress over the last couple of years. From the perspective of industrial development in India, and hence the growth of the overall economy, SMEs have to play a prominent role, given that their labour intensiveness generates employment. The SME segment also plays a major role in developing countries such as India in an effort to alleviate poverty and propel sustainable growth. Financial assistance for SME units is available from a variety of institutions such as commercial/ Regional Rural/ Co-operative Banks, SIDBI: Small Industries Development Bank of India (refinance and direct lending) and SFCs/ SIDCs: State Financial Corporations (e.g. Delhi Financial Corporation)/State Industrial Development Corporations. Long and medium term loans are provided by SFCs, SIDBI and SIDCs. Banks also finance term loans. This type of financing is needed to fund purchase of land, construction of factory building/shed and for purchase of machinery and equipment. The short-term loans are required for working capital requirements, which fund the purchase of raw materials and consumables, payment of wages and other immediate manufacturing and administrative expenses. Such loans are generally available from commercial banks. The commercial banks also sanction composite loan comprising of working capital and term loan up to a loan limit of Rs.1 crore.

Despite its commendable contribution to the Nation's economy, SME Sector does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which is a handicap in becoming more competitive in the National and International Markets. SMEs face a number of problems. They do not have sufficient knowledge of institutional credit and thus often fail to utilize the existing institutional facilities. Their assets position does not help them to get institutional credits or bank loan. As most of the small-scale and cottage industries are proprietary or partnership firms they cannot raise capital from the financial market by floating shares, stock or debentures. They mostly depend on non-institutional sources of credit,provided by cooperative societies or some individuals, which are inadequate and costly. They mostly require small amounts of credit which are very difficult for the existing financial institutions to handle. Individually the volume of credit required by these small and medium industries are so small that the present financial institutions are unable to entertain them. Doing business on bigger scale, as they generally are accustomed to, with large scale industries, to deal with smaller clients proves uneconomical and hence small borrowers do not find favor with such banks. Other challenges like: absence of adequate and timely banking finance, limited capital and knowledge, constraints on modernization & expansions, non-availability of highly skilled labor at affordable cost, follow-up with various government agencies to resolve problems etc.

2. LITERATURE REVIEW

Literature review has a significant role to get an insight into the research problem. It facilitates a researcher to recognize the research gap and build up a meaningful proposition. It provides a passing reference that how to study and analyze a particular problem. The researcher has reviewed the accessible literature on startups and financing to small and medium enterprises. As follows:

- **A K Mohanti and D M Mahapatra in his study titled "Financing of Small and Medium Enterprises In India" (2007)** pointed out that SMEs need change. They should keep updating their selves as per the need and requirement of the market.

- **Choudhuri, P.R. (1998) pointed out in the study titled "Capital Structure Planning in Small-Scale Industries**", that there is great expansion of MSE units has been noticed in the last some years. There is a need to produce goods and services according to national and international market standards.

- **Dr. Sharad D. Kopardekar, G Y Rane Prakashan, Pune**, **Small scale Industries: A review in Investment and Output Aspect, -** Small scale industry gives employment to a huge extent of the mechanical employment drive and record for a considerable number of every single industrial foundation in all nations. Small scale industry has a key part to play in the industrialization of creating nations and accept a vital position in the economies of created nations.

- **Erwin E. Brewster, Commonwealth Secretariat, 2006 in his study titled "Finance for Small and Medium-Sized Enterprises in the Caribbean",** mentioned that SME firms are viewed as motor in financial development & business creation in the Caribbean, as in diverse division of the globe. This review

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investigates challenges of such enterprises have in getting to long haul financing and how these could be overcome.

- **"E-Commerce in Regional Small to Medium Enterprises, Robert C. MacGregor, Lejla Vrazalic Idea Group Inc (IGI), 2007":** Small to medium enterprises (SMEs) and the part of internet industry in these associations keep on altering, develop and advance. Market analyst and governments have offered soar to the quantity of systems, to throw in the difficulties these undertakings deal with every day in competition with considerable, worldwide organizations.

- **Financing Small Industries and Exports, The Reserve Bank of India:** The Bank for the most part bolstered setting up commonplace financial partnerships. Existing game plans to offer advances to private businesses, under the State Aid lo Industries Act were, in its view, amazingly restricted in extension. Help under this Act appeared as immediate credits repayable in a settled number of installments at rather high rates of intrigue.

- **Gupta and Inder jit Singh, book titled "Financing of small industry**" They have mentioned that there is a great shortage of availability of funds from different FIs. They also brought up that merely 5.1 percent of the firms had been funded by the financing sources of the institutions.

Research Papers/ Articles

- **Austin, James E., et al., eds. 2006. Viable Management of Social Enterprises:** Not-for-profit attempts (regardless of whether of free thoughtful society organization or of substances related with private companies) progressively utilize keen service systems and earned-salary exercises, while enterprises are progressively widening their partners past shareholders to acknowledge more extensive social obligations.

- **"Berry, Al *et. al.* "The Economics of SMMEs in South Africa." Trade and Industrial Policy Strategies Research Report (2002)". Electronic":** It endeavours to connection improvements in the nation's large scale economy to the development capability of national SMMEs. The paper is principally hypothetical however uses subjective study explore to investigate important matters, for example, SMEs' entrance to fund. This study makes its most persuading contention in any case, with regards to considering the effect of national employment controls on SMME development.

- **Brand, R.P. *et. al.*, Small Business Development: Improving Sustainability through Net employment-Enterprises., University of Stellenbosch Department of Industrial Engineering Employment Paper" Electronic:** The paper, arranged by experts at the "University of Stellenbosch's Department of Industrial Engineering", challenges that a supportable plan of action to SME development within South Africa is not existed yet. Despite what might be expected, South African policymakers don't for the most part recognize the means that should be in use to change SME non-formal enterprises into element companies employment in the recognized financial system.

- **"Chabane, N., Private Procurement and the Development of Black SMMEs in Ekurhuleni, Briefing Paper #2, University of the Witwatersrand Joint Programme of Research on Industrial Development in Ekurhuleni (2003)"** It investigates an idea of "agreed obtainment" & challenges that the arrangement of special acquisition agreements to dark run SMEs is a fundamental stride that South Africa's personal & open parts must obtain to guarantee extended haul SME development.

- **Financing Small Industries and Exports, the Bank and State Financial Corp.** The development of small scale and house enterprises has remained an indispensable piece of India's methodology for industrialization. A system of institutional offices was set up along with and after the primary arrangement to quicken their improvement. However, as late as 1962 regardless of about a time of energetic limited time enterprises, institutional financial support for this organization stayed unremarkable, with small enterprises representing an immaterial extent of the aggregate credit reached out by planned banks.

- **"Funchall, D.M. *et al.*, A Employmentable Model for Small, Medium, and Micro Enterprises Hosted in Select Incubators in South Africa, Paper presented at the proceedings of the 3rd International IDIA Development Informatics Conference (28-30 October 2009)":** It catches an interesting point of view inside the writing by concentrating on how innovation can be utilized to help SMEs evaluate their own advance towards getting to be "develop" procedures by whole parts of their organizations effectively adjusted in a proficient way.

- **"International Finance Corporation. *Access to Finance for Women Entrepreneurs* (2006)":** It reports, uphold by the "FinMark Trust and the DTI'S Gender and Economic Empowerment Unit", utilizes information since the "Labor Force Survey of 2005" to claim that African females are simply the biggest only utilized section of the country populace. In spite of this, the statement asserts that neither business action targets place by specific enterprises, nor neither personal nor open organization financial improvement systems consolidate sufficient recommendations for engaging female business people.

3. RESEARCH METHODOLOGY

The objective of the research study is to study the financial constraints faced by the SME's in different phases of business development. This research study is an *exploratory and descriptive* in nature as it focuses on exploring the financing habits of the SME's. The study is descriptive as it discusses in the detail about the financial constraints faced by the SME's. In addition to this the study discuss the different short term and long term sources of funds availed, factors affecting their financial decisions. As the Indian government also introduces different schemes to facilitate the business, the study also discuss the current status of incentives provided by government institutions to facilitate SME business performance. The population of the study in general includes the small and medium enterprises in India. Since it is almost impossible to track all the SME's registered in India, the target population in the study is the SME operating in NCR region of India. The non-probability sampling method (Judgmental sampling) is used in the study. The selection of the respondent (senior managers working with the selected SME's) is based on few well defined criteria namely that the executives should be associated with the current SME' more than 5 years and the managers who have total experience with the SME sector of more than fifteen years are considered in the study. The data is collected from sample size of 310 executives working with SME selected for the research study.

The primary data is collected from the SME employees and managers working with SME companies. The primary data is collected with the help of survey where the self-designed questionnaire is used as a data collection instrument. The questionnaire is designed in different stages. In first stage the required variables were identified with the help of literature review. The rough draft of the questionnaire is prepared initially and modified with the help of discussions with the industry experts. The questionnaire is finalized during the process of pilot survey where few duplicate statements were removed and few new statements were added. The language of the statements is also modified at this stage. In the research study different statistical methods is applied namely descriptive analysis, Independent sample t test and one-way ANOVA test. MS Excel and SPSS 21is used for the purpose of data analysis.

4. DATA ANALYSIS AND INTERPRETATION

This section discusses the findings and interpretations of the statistical analysis done on the collected primary data in the study. As the study focuses on different aspects of financing in Small and Medium Enterprises, the primary data is collected from senior executives working with selected small and medium enterprises in the study. This section discusses the financial constraints faced by SMEs. This section includes the results of frequency distribution and descriptive analysis, independent sample t-test and one-way ANOVA.

4.1 Degree of difficulty to access the funds

The entrepreneurs selected for the study were asked to provide the response related to the difficulty they faced in raising funds from different sources during the start of their business. The descriptive analysis of the respondents is also estimated. The mean score, Standard Deviation, Skewness and Kurtosis are estimated. The Results of descriptive Statistics is shown in Table.

Table 4.1.1 Descriptive Statistics

	Mean	Std. Deviation	Skewness	Kurtosis
Raising funds within family and close friends	1.939	1.1058	1.394	1.438
Short-term bank loans	2.748	1.0182	.447	-.369
Long-term bank loans	3.481	1.1052	-.306	-.710
Loan from special institutions (eg. SIDBI, SFCs etc)	3.281	1.1443	-.084	-.898
Trade Credits	2.861	1.0475	.518	-.334
Private Equity or debt from investors within India	3.374	1.2049	-.238	-1.019

The result indicates that most of the respondents' face difficulty in raising funds from long term bank loan (highest mean score). It was most difficult during the initial phase of their business. This may be due to the fact in the initial phases of the business banks are not sure about the revenue in the future. Hence, they are reluctant in providing long term bank loans to the new enterprises. The highest mean is found in the case of private equity or debt from investors within India. This indicates that during the initial phases of the business getting funds from private equity or debt is difficult.

The lowest mean score is found in case of raising funds within family and close friends. Most of the business men had the experiences that raising funds from family and close friends is the most convenient option to raise funds during the startup phase of their business. After family and close friends short term bank loan and trade credits are considered to be better option for raising funds during the startup phase of their business. The standard deviation of all the respondents for all the options is found to be around 1 indicating that respondents have varying experiences in their experiences in raising funds from different sources.

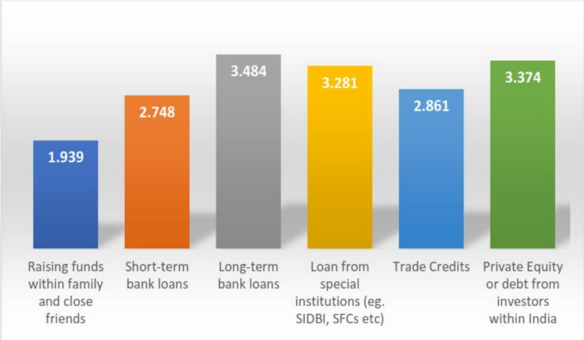

Fig. 4.1 Graphical representation of mean score

In the study the responses are collected from the senior executives working with small and medium enterprises with respect to the difficulty faced by the firm in raising the financial resources during the startup phase. The firms are divided into two categories on the basis of their age which is calculated from the incorporation of the firm. The First category includes the firms less than 16 years and the second category includes the firms more than 16 years of incorporation. In order to analyze the presence of the difference, if any between two categories of firms with respect to the degree of difficulty in raising the funds during the startup phase the independent sample t-test is applied. Here the perception about degree of difficulty in raising of funds is considered as dependent variable and the two categories of the firms considered as independent variable. The null hypothesis of independent sample t-test assumes that there exists no significant difference between the young and old SMEs with respect to degree of difficulty in raising the funds from different sources during the startup phase. The results of independent sample t-test are shown below in the table.

Table 4.1.2: Independent sample t-test between Old and Young SMEs with respect to degree of difficulty in raising funds from different sources

Problem Statement	Groups	Mean (Std. Deviation)	F-Statistics (P-Value)	t-Test (P-Value)	Remarks
Raising funds within family and close friends	More than 16 years	1.832 (1.0039)	3.704 (0.055)	1.837 (0.067)	Null hypothesis accepted
	Less than 16 years	2.063 (1.2057)			
Short-term bank loans	More than 16 years	2.760 (0.9830)	1.833 (0.177)	0.226 (0.822)	Null hypothesis accepted
	Less than 16 years	2.734 (1.0612)			
Long-term bank loans	More than 16 years	3.509 (1.0289)	5.185 (0.023)	0.432 (0.666)	Null hypothesis accepted
	Less than 16 years	3.455 (1.1911)			
Loan from special institutions (eg. SIDBI, SFCs etc)	More than 16 years	3.186 (1.1955)	1.833 (0.177)	1.584 (0.114)	Null hypothesis accepted
	Less than 16 years	3.392 (1.0749)			
Trade Credits	More than 16 years	2.862 (1.0174)	0.630 (0.428)	0.018 (0.986)	Null hypothesis accepted
	Less than 16 years	2.860 (1.0851)			
Private Equity or debt from investors within India	More than 16 years	3.407 (1.1094)	10.173 (0.002)	0.520 (0.603)	Null hypothesis accepted
	Less than 16 years	3.336 (1.3105)			

The independent sample t-test is conducted in two stages. First of all, the variances of two independent samples are compared with the help of Levene Test of homogeneity of variance followed by independent sample t-test. The Levene test of homogeneity of variance tests the null hypothesis that the variance of two independent samples is same. According to the result independent sample t-test is applied. The results as shown in table indicates that the p-value of t-statistics in case of all the statements related to degree of difficulty in raising the funds from different sources is found to be more than 5 percent level of significance. Hence, with 95 percent confidence level the null hypothesis of no significance difference between the firms of different age groups can be accepted. Hence, it can be concluded in the study that both type of firms has faced the same degree of difficulty in raising funds from different sources during the startup phase.In the study the data is collected from the employees working with SMEs with different sectors i.e service, manufacturing and trading. One-way Anova is applied to study the difference, if any exist, between the SMEs working in different sectors have faced the difficulty in raising funds during the startup phase. The results of One-way Anova are shown below in table.

Table 4.1.3: Test of difference with respect to SMEs in different sectors

Statements	Groups	Mean (S.D.)	F Statistics (P-Value) (Sig)	Remarks
Raising funds within family and close friends	Service	1.902 (1.06)	0.068 (.934)	Null hypothesis accepted
	Manufacturing	1.938 (1.111)		
	Trading	1.973 (1.1423)		
Short-term bank loans	Service	2.77 (1.1014)	0.064 (.938)	Null hypothesis accepted
	Manufacturing	2.756 (1.0323)		
	Trading	2.712 (.9201)		
Long-term bank loans	Service	3.639 (1.0171)	2.013 (.135)	Null hypothesis accepted
	Manufacturing	3.517 (1.1109)		
	Trading	3.274 (1.1458)		
Loans from special institutions such as SIDBI and SFCs	Service	3.246 (1.1497)	0.758 (.470)	Null hypothesis accepted
	Manufacturing	3.233 (1.1350)		
	Trading	3.425 (1.1657)		
Trade credits	Service	3.869 (1.0874)	0.161 (.851)	Null hypothesis accepted
	Manufacturing	3.835 (1.0148)		
	Trading	2.918 (1.1024)		
Private equity or debt from investors within India	Service	3.164 (1.1428)	1.714 (.182)	Null hypothesis accepted
	Manufacturing	3.477 (1.1854)		
	Trading	3.301 (1.2876)		

The results as shown in table indicates that the p-value of F-statistics in case of all the statements related to degree of difficulty in raising the funds from different sources is found to be more than 5 percent level of significance. Hence, with 95 percent confidence level the null hypothesis of no significance difference between the firms of different age groups can be accepted. Hence, it can be concluded in the study that both type of firms has faced the same degree of difficulty in raising funds from different sources during the startup phase.

4.2 Degree of difficulty to access the funds during growth phase

When a business is started and it starts nurturing, it needs funds to grow further. There are many sources of raising funds during this phase. First of all, the entrepreneurs use their savings and try to raise funds from their family members and friends. In addition to this many institutions such as commercial banks, development banks, special institutions such as SIDBI and SFCs provide funds to the entrepreneurs. The entrepreneurs selected for the study were asked to provide the response related to the difficulty they faced in raising funds from different sources during the growth phase of their business. The descriptive analysis of the respondents is also estimated. The mean score, Standard Deviation, Skewness and Kurtosis are estimated. The Results of descriptive Statistics is shown in Table 4.2.1.

Table 4.2.1 Descriptive Statistics

	Mean	Std. Deviation	Skewness	Kurtosis
Raising funds within family and close friends	2.345	1.3511	0.756	-0.638
Short-term bank loans	2.697	1.0756	0.377	-0.425
Loan from special institutions (eg. SIDBI, SFCs etc)	3.555	1.0529	-0.556	-0.383
Trade Credits	2.800	1.1200	0.262	-0.637
Private Equity or debt from investors within India	3.577	1.1846	-0.380	-0.940
Long-term bank loans	3.339	1.1398	-0.402	-0.737

The result indicates that the mean score of private equity or debt from investors within India is found to be highest which indicates that most of the respondents' face difficulty in raising funds from private equity or debt from investors within India. It was most difficult during the growing phase of their business. This may be due to the fact in the progressive phases of the business investors are not sure about the generation of income in the future. Hence, they are reluctant in providing funds to the enterprises in this phase. The second highest mean is found in the case of loan from special institutions (eg. SIDBI, SFCs etc). This indicates that during the growth phases of the business getting funds from these specialized institutions is difficult. The lowest mean score is found in case of raising funds within family and close friends. Most of the business men had the experiences that raising funds from family and close friends is the most convenient option to raise funds during the growth phase of their business. After family and close friends long term bank loan and trade credits are considered to be better option for raising funds during the growth phase of their business. The standard deviation of all the respondents for all the options is found to be around 1 indicating that respondents have varying experiences in their experiences in raising funds from different sources. The skewness and kurtosis estimate of almost all the responses received from the respondents against all the statements in related to raising funds from different sources are found to be less than one indicating that normal distribution of the responses.

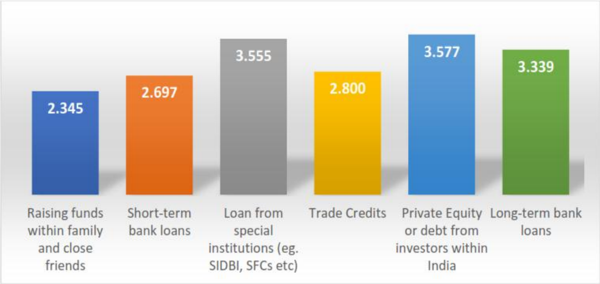

Fig 4.2: Graphical representation of mean score

During the life of an SME there are many stages such as startup phase, growth phase and matured. During the startup phase the different kinds of problems comes in raising funds from different sources. However, in growth phase the firm is known in the market. It may come in profitable condition. Due to which the market perception about the SME changes as a result the firms may face new challenges and dynamics in raising funds from different sources. In the study the responses are collected from the employees and senior managers working with selected small and medium enterprises with respect to the difficulty faced by the firm in raising the financial resources during the growth phase. In order to analyze the difference between old and new firms with respect to the degree of difficulty in raising the funds during the growth phase the independent sample t-test is applied. Here the perception about degree of difficulty in raising of funds is considered as dependent variable and the two categories of the companies considered as independent variable. The null hypothesis of independent sample t-test assumes that there exists no significant difference between the young and old SMEs with respect to degree of difficulty in raising the funds from different sources during the growth phase. The results of independent sample t-test is shown below in table.

Table 4.2.2 ; Independent sample t-test between Old and Young SMEs with respect to degree of difficulty in raising funds from different sources

Problem Statement	Groups	Mean (Stad. Deviation)	F-Stat. (P-Value)	t-Test (P-Value)	Remarks
Raising funds within family and close friends	More than 16 years	2.449 (1.4170)	4.962 (0.027)	1.466 (0.144)	Null hypothesis accepted
	Less than 16 years	2.224 (1.2639)			
Short-term bank loans	More than 16 years	2.605 (1.1138)	1.254 (0.264)	-1.632 (0.104)	Null hypothesis accepted
	Less than 16 years	2.804 (1.0227)			
Loan from special institutions (eg. SIDBI, SFCs etc.)	More than 16 years	3.683 (0.9384)	12.688 (0.000)	2.326 (0.021)	**Null hypothesis rejected**
	Less than 16 years	3.406 (1.1582)			
Trade Credits	More than 16 years	2.763 (1.0973)	0.001 (0.972)	-0.569 (0.570)	Null hypothesis accepted
	Less than 16 years	2.839 (1.1485)			
Private Equity or debt from investors within India	More than 16 years	3.461 (1.1860)	0.871 (0.351)	-1.876 (0.062)	Null hypothesis accepted
	Less than 16 years	2.713 (1.1726)			
Long-term bank loans	More than 16 years	3.234 (0.9868)	0.290 (0.591)	-1.762 (0.079)	Null hypothesis accepted
	Less than 16 years	3.462 (1.2146)			

The results as shown in table indicates that the p-value of t-statistics in case of all the statements (except in case of Loan from special institutions and Raising funds within family and close friends)) related to degree of difficulty in raising the funds from different sources is found to be more than 5 percent level of significance. Hence, with 95 percent confidence level the null hypothesis of no significance difference between the firms of different age groups can be accepted. However, in case of Loan from special institutions the probability value of t-statistics is found to be less than 5 percent level of significance indicating the significant difference in the perception of managers working with firms with different ages. The results also indicate that in mostly cases the mean scores of young firms are greater than the mean score of old firms. This indicates that the new firms are facing significantly more difficulty in raising funds as compare to old firms. This is due to the fact the risk associated with new firms are significantly higher than old firms. Due to this the banks are highly sensitive and reluctant in providing funds to the new firms. However, the well-established SMEs are facing less difficulty in raising funds. In case of Loan from special institutions the p-score of t-statistics is found to be less than 5 percent of level of significance. Hence, it can be concluded that there exists significant difference in raising Loan from special institutions by the different firms ignoring age of the firms. The result also indicates that the mean score of responses received against degree of difficulty in raising funds is found to be highest in case of old firms as compared to new firms. This is due to the fact that the angle investors who want to invest in other businesses generally look for high potential young firms as compare to well established old firms. The result indicates that the mean score is found to be high in case of old firms as compared to the mean score of degree of difficulty in raising funds by SMEs. It can be also concluded in the study that new firms have faced the more degree of difficulty in raising funds from different sources during the growth phase.

4.3 Severity of the problems for business today

In current scenario running a successful business is a highly challenging task. The environment related to business in India is highly dynamic. The level of competition is rising also the customers are looking for best quality products and services from the firms in addition to this a lot of challenges come from different fronts such as labour cost, labour quality, market rivalry, threat of market fluctuation, and government regulations. The taxes may be high, the interest rate in the economy is highly fluctuating which provides different set of challenges to the SMEs. High inflation rate and cost of funds is another problem for SMEs. In the study the respondents were requested to provide their inputs against the different possible challenges faced by their respective small and medium enterprises. The descriptive analysis of the respondents is also estimated. The mean score, Standard Deviation, Skewness and Kurtosis are estimated. The Results of descriptive Statistics is shown in Table 4.3.1.

Table 4.3.1 Descriptive Statistics

	Mean	Std. Deviation	Skewness	Kurtosis
Taxes	2.755	1.1788	0.235	-0.753
Inflation	3.087	1.2023	-0.090	-0.943
Poor Sales	3.100	1.2253	-0.096	-0.967
Competition from Larger firms	3.142	1.2382	-0.159	-0.931
Cost of Labour	3.019	1.2719	0.154	-0.957
Quality of Labour	2.129	1.1698	0.931	0.004
Financing and Interest rates	3.419	1.1679	-0.313	-0.812
Govt Regulations/Red Tape	3.000	1.1177	0.084	-0.691
Cost of availability of Insurance	2.077	1.0115	0.845	0.361
Others	2.777	0.8393	0.175	0.348

The result indicates that the mean score of financing and interest rate problem is found to be highest which indicates that most of the respondents' face difficulty in financing of their venture. Finance has always remained a major bottleneck to the growth of the small and medium enterprises (SME) sector. The SMEs feel that it is a great hurdle for their business decision making and setting targets for the future. The mean score of 3.419 indicates that it is a severe problem and a big challenge for them. For getting the fund available they are very much dependent on various internal and external sources. The internal sources are limited while seeking from external sources they have to pay a high rate of interest. Which some time shows a big loss while analyzing profit/cost trade off. The second highest mean is found in the case of competition from larger firms. Markets which are dominated by large players with huge promotional budgets and economies of scale can seem impenetrable by small businesses. The big fishes of the market sometime do not allow the small fishes to grow. Even some time they try to acquire them. Business coach and author Heather Townsend says: "Small firms will never win on price, but they can compete on value and service, while the more specialized their product or service, the better. They can be flexible and adaptable to meet customers' needs, and through the clever use of social media, they can make their brand more 'loveable', which gives them the edge." The lowest mean score is found in case of cost of availability of insurance. Most of the respondents feel that the cost of insurance does not play a very big role in the survivability of their business. They feel that it can be managed and they do not take it as a severe problem for their business. After the cost of availability of insurance taxes are considered as the least challenge for them. There are a number of tax advantages are offered by the government in order to reduce total outside payment liability for the SMEs. The rate of tax is also very low in comparison of large businesses. The standard deviation of all the respondents for all the options is found to be around 1 indicating that respondents have varying experiences in different problems and challenges for their business. The skewness and kurtosis estimate of almost all the responses received from the respondents against all the statements in relation to severity of the problems in different areas are found to be less than one indicating that normal distribution of the responses.

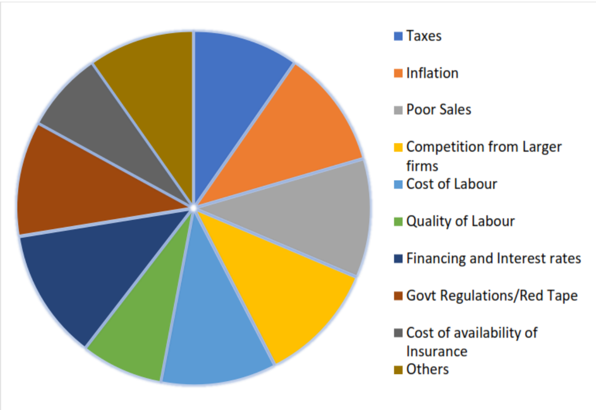

Fig 4.3: Graphical representation of mean score

In order to analyze the presence of the difference, if any between two categories of firms with respect to the severity of business problems the independent sample t-test is applied. Here the perception about severity of business problems is considered as dependent variable and the two categories of the firms considered as independent variable. The null hypothesis of independent sample t-test assumes that there exists no significant difference between the young and old SMEs with respect to severity of business problems in different areas. The results of independent sample t-test is shown below in table.

Table ; Independent sample t-test between Old and Young SMEs with respect to severity of business problems

	Age of firm	Mean	Std. Deviation	F-Stat (P-Value)	t-Stat (P-Value)
Taxes	More than 16 years	2.754	1.2097	0.684	-0.006
	Less than 16 years	2.755	1.1458	(.409)	(0.996)
Inflation	More than 16 years	3.042	1.1789	1.265	-0.714
	Less than 16 years	3.140	1.2311	(.262)	(0.475)
Poor Sales	More than 16 years	3.120	1.2213	0.002	0.306
	Less than 16 years	3.077	1.2338	(.966)	(0.76)
Competition from Larger firms	More than 16 years	3.042	1.2532	0.024	-1.54
	Less than 16 years	3.259	1.2144	(.878)	(0.125)
Cost of Labour	More than 16 years	3.234	1.0639	19.527	3.253
	Less than 16 years	2.769	1.4423	(.000)	(0.001)
Quality of Labour	More than 16 years	2.341	1.2407	7.369	3.516
	Less than 16 years	1.881	1.0311	(.007)	(0.001)
Financing and Interest rates	More than 16 years	3.413	1.1681	0.115	-0.101
	Less than 16 years	3.427	1.1718	(.734)	(0.92)
Govt Regulations/Red Tape	More than 16 years	2.970	1.1270	0.144	-0.509
	Less than 16 years	3.035	1.1096	(.705)	(0.611)
Cost of availability of Insurance	More than 16 years	2.401	1.0869	27.321	6.482 (0)
	Less than 16 years	1.699	.7602	(.000)	
Others	More than 16 years	2.820	.8453	.021 (.884)	0.973
	Less than 16 years	2.727	.8323		(0.331)

The results as shown in table indicates that the p-value of t-statistics in case of all the statements (except in case of cost of labour, quality of labour, and cost of availability of insurance) related to degree of severity of business problems from different areas is found to be more than 5 percent level of significance. Hence, with 95 percent confidence level the null hypothesis of no significance difference between the firms of different age groups can be accepted. However, in case of cost of labour, quality of labour, and cost of availability of insurance the probability value of t-statistics is found to be less than 5 percent level of significance indicating the significant difference in the perception of managers working with firms with different ages. Most of the results also indicate that the mean scores of old firms are greater than the mean score of young firms. This indicates that these business problems were more severe for old firms in comparison of new firms. Where the cost and quality of labour is not much severe for the new firms. The respondents feel that the new firms have managed the labour. Due to various modes of incentive schemes the quality of labour has been enhanced to a great extent. The productivity of the labour has also increased due to which the cost of labour is not very severe problem for the business now. Cost of availability of Insurance is also not a very severe problems for the new firms. As cost benefit analysis of insurance for the new firms seems more beneficial now. The respondents of the new firms feel that the insurance is a desired cost item for them. They deliberately want to spend money on insurance keeping in mind the potential benefits and for doing business in ease. In case of cost of labour, quality of labour, and cost of availability of insurance the p-score of t-statistics is found to be less than 5 percent of level of significance. Hence, it can be concluded that there exists significant difference in severity of business problems for the different firms ignoring age of the firms. The result also indicates that the mean score of responses received against severity of business problems is found to be highest in case of old firms as compared to new firms. This is due to the fact that the old firms faced different challenges in terms of technological advancement, lack of market knowledge, lack of resources, less govt welfare schemes, lack of investor activism and lack of availability of timely information.

4.4 Firm's performance in the last 3 years

Performance of small and medium enterprises depends on various internal and external environments. The performance measurement is a system of fundamental building block of total quality management. It includes process measures (inputs, outputs) and outcome measures (immediate, intermediate, long term). In current scenario running a successful business is a highly challenging task. The environment related to business in India is highly dynamic. The level of competition is rising also the customers are looking for best quality products and services from the firms in addition to this a lot of challenges come from different fronts such as annual turnover, profitability, productivity, expansion of business etc. The Results of descriptive Statistics is shown in Table 4.4.1.

Table 4.4.1 Descriptive Statistics

Performance indicator	Mean	Std. Deviation	Skewness	Kurtosis
Sales	2.594	1.2882	0.244	-1.223
Profitability	1.948	0.8537	1.261	2.763
Expansion of Business (Introduction of new Business Lines/Units)	2.797	1.0211	-0.171	-0.792
Using new IT/Technological solutions to improve performance	3.161	1.4943	-0.161	-1.488
Getting back loans/ formal financing	3.065	1.0894	-0.098	-0.816
Trade Credit (informal network)	3.529	1.3259	-0.587	-0.947
Bills collections	3.103	1.1012	-0.089	-0.801
Marketing/Advertising	2.887	1.0659	-0.015	-0.878
Seasonal/Cyclical Issues	2.694	2.0048	6.037	54.945
Overall performance	1.984	1.038	0.766	-0.535

The result indicates that the mean score of profitability and overall performance is found to be lowest which indicates that most of the respondents were unsatisfied from the performance in last three years. Profitability is the motivation for the businesses for long term survival and growth prospects. The SMEs feel that it is a great hurdle for their business decision making and setting targets for the future. The respondents responded that their business profitability is on decline. While some portion of the unsatisfied respondents were satisfied with their business sales performance. The second lowest mean score is for sales. The mean score of sales performance is 2.594, which indicates that the sales performance of the respondents was not very attractive in the last three years period. The mean score of business cyclical issues and expansion of business is also not very good. It indicates that different cyclical issues impacted the businesses to a great extent and the businesses were not able to expand in the said period. It may be due to finance crunch and faulty government policies towards the small and medium enterprises sector. The mean score of trade credit from informal network is very good. It shows that the fund is available from the informal trade credit route. The standard deviation of all the respondents (except seasonal/cyclical issues) for all the options is found to be around 1 indicating that respondents have varying experiences in different problems, challenges and business performance of their business. The skewness and kurtosis estimate of almost all the responses (except profitability and seasonal/cyclical issues) received from the respondents against all the statements in relation to business performance in the last three years period is found to be less than one indicating that normal distribution of the responses. While in case of profitability the kurtosis value is 2.763 which shows slightly heavier tailed in normal distribution. In case of seasonal/cyclical issues skewness value is 6.037, which shows highly skewed value and kurtosis value is 54.945, which implies that there are more extreme observations. It is also evident that the distribution is more 'single-peaked'.

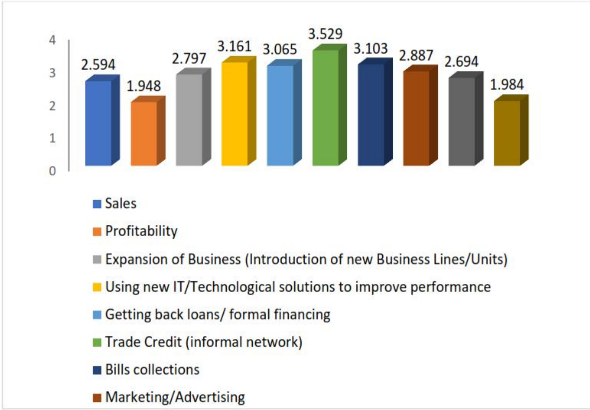

Fig 4.4: Graphical representation of mean score

In order to analyze the presence of the difference, if any between two categories of firms with respect to the business performance the independent sample t-test is applied. Here the perception about business performance in last three years is considered as dependent variable and the two categories of the firms considered as independent variable. The null hypothesis of independent sample t-test assumes that there exists no significant difference between the young and old SMEs with respect to performance of business in different areas. The results of independent sample t-test are shown below in table.

Table 4.4.2 ; Independent sample t-test between old and young SMEs with respect to business performance in the last three years

Performance indicator	Age of firm	Mean	Std. Deviation	F-Stat (P-Value)	t-Stat (P-Value)
Sales	More than 16 years	2.94	1.2549	0.538	**5.342**
	Less than 16 years	2.189	1.21	(.464)	**(0.000)**
Profitability	More than 16 years	2.198	0.9001	1.265	**5.845**
	Less than 16 years	1.657	0.6931	(.946)	**(0.000)**
Expansion of Business (Introduction of new Business Lines/Units)	More than 16 years	2.802	0.9584	4.592	0.105
	Less than 16 years	2.79	1.0932	(.033)	(0.917)
Using new IT/Technological solutions to improve performance	More than 16 years	2.898	1.4338	0.636	**-3.407**
	Less than 16 years	3.469	1.5096	(.426)	**(0.001)**
Getting back loans/ formal financing	More than 16 years	3.096	1.0879	0.546	3.253
	Less than 16 years	3.028	1.0938	(787)	(0.586)
Trade Credit (informal network)	More than 16 years	3.545	1.325	0.227	3.516
	Less than 16 years	3.51	1.3315	(.719)	(0.820)
Bills collections	More than 16 years	3.096	1.1206	-0.128	-0.101
	Less than 16 years	3.112	1.0819	(.882)	(0.898)
Marketing/Advertising	More than 16 years	2.862	1.0233	4.422	**-0.509**
	Less than 16 years	2.916	1.1164	(.349)	**(0.000)**
Seasonal/Cyclical Issues	More than 16 years	2.796	1.1849	-1.242	**6.482**
	Less than 16 years	2.224	1.0774	(.029)	**(0.000)**
Overall performance	More than 16 years	1.916	1.1162	21.183	0.973
	Less than 16 years	2.063	0.9361	(.000)	(0.215)

The results indicate that the variances of two independent samples are same as indicated by the p value of the F statistics in Levene test of homogeneity of variance. The Levene test of homogeneity of variance tests the null hypothesis that the variance of two independent samples are same. This is followed by independent sample t-test. The result indicates that the p-value of t-statistics in case of all the statements (except in case of *Expansion of Business (Introduction of new Business Lines/Units), Getting back loans/ formal financing and Trade Credit (informal network)*is found to be less than five percent level of significance. Hence, with 95 percent confidence level the null hypothesis of no significance difference between the firms of different age groups cannot be accepted. The results also indicate that the mean scores of old firms are greater than the mean score of young firms. This indicates that these business problems were more severe for old firms in comparison of new firms. In case of sales as a business performance the old firms are found to have higher mean score as compared to younger firms. In case of profitability the higher mean score is found to be in case of old firms. In case of using new IT/Technological solutions to improve performance the younger firms have the higher mean score as compared to older firms. In case of advertising the younger firms have the higher mean score in comparison of old firms. In case of seasonal or cyclical issues the mean score of older firms are higher in comparison of younger firms. However, in case of in case of *Expansion of Business (Introduction of new Business Lines/Units), Getting back loans/ formal financing and Trade Credit (informal network* the probability value of t-statistics is found to be more than 5 percent level of significance indicating the no difference in the perception of managers working with firms with different ages.

4.5 Role of finance in weak business performance

The environment related to business in India is highly dynamic. The level of competition is rising also the customers are looking for best quality products and services from the firms in addition to this a lot of challenges come from different fronts such as annual turnover, profitability, productivity, expansion of business etc. Table 4.17 explains the frequency distribution of the responses related to performance of the forms in the last 3 years.

Table 4.5.1 Role of finance in Firm's performance in the last 3 years

Performance indicator	Finance is responsible	Weighted Average %
Sales	76 (36.01%)	6.63%
Profitability	176 (58.67%)	15.34%
Expansion of Business (Introduction of new Business Lines/Units)	169(75.45%)	14.73%
Using new IT/Technological solutions to improve performance	96(64.00%)	8.37%
Getting back loans/ formal financing	72(38.10%)	6.28%
Trade Credit (informal network)	22(19.82%)	1.92%
Bills collections	55(29.41%)	4.80%
Marketing/Advertising	142(68.60%)	12.38%
Seasonal/Cyclical Issues	160(68.67%)	13.95%
Overall performance	179(66.05%)	15.61%

The frequency distribution as shown in table indicates role of finance in various problems and the responses of the respondents. Accordingly, role of finance is estimated in the performance with the help of different indicators such as sales, profitability, marketing and expansion of business etc. Approximately 64 percent of respondents feel that there is no role of finance in the declining sales of the firm in the last three years. Weighted average percentage for the same is about 7 percent of overall responses received for all the statements. The firms think that that sale is generally affected by different factors such as product life cycle, customer perception, availability of substitute goods, government policies towards products and services and poor sales promotion activities etc. Impact of finance on declining sales is remote. However about 36 percent assumed that there is a role of finance in the declining sales. Approximately 59 percent of the respondents feel that finance is responsible for falling proportion of profitability in the last three years. Weighted average percentage for the same is about 15 percent of overall responses received for all the statements. They think that it is due to the fact that for cost reduction firm needs high quality technology and upgradation, for reducing wastages and more productivity there is need of employees training, for making the product available to the customers firm needs logistics etc. For all these problems finance is must. Approximately 75 percent of the respondents feel that finance is responsible for the business expansion. Weighted average percentage for the same is about 14 percent of overall responses received for all the statements. It seems true to a great extent as finance is an essential requirement for the business expansion.A handsome amount is spent for occupying plant, furniture, building, technology and different operation costs. 64 percent of the respondents responded that finance is responsible for using new IT/Technological solutions to improve performance. Weighted average percentage for the same is about 8 percent of overall responses received for all the statements. These IT/Technological solutions are costly and funds are needed for their implementations. Approximately 80 percent of the respondents feel that there is no role of finance in the informal trade credit network. Weighted average percentage for the same is about 2 percent of overall responses received for all the statements. It is due to other factors such as personal connections, goodwill, past records, age of firm etc. Approximately 69 percent of the respondent feels that there is a role of finance in the sales promotion activities. Weighted average percentage for the same is about 12 percent of overall responses received for all the statements. A great amount is required for the implementation of such activities. Approximately 69 percent of the respondents strongly feel that there is a great role of finance in the cyclical or seasonal issues for the business. Weighted average percentage for the same is about 14 percent of overall responses received for all the statements. It is a must, as the business needs funds to cope up with various cyclical and seasonal issues. In the end about 66 percent of the respondents responded that finance is responsible for the overall business performance. While about 34 percent of the respondents do not feel like that. Weighted average percentage for the same is about 16 percent of overall responses received for all the statements. They do not find a great role of finance in the overall performance of the business. According to them other factors such as goodwill of the firm, poor strategy, poor marketing and communication, and government policies etc.

5. FINDINGS, SUGGESTIONS AND CONCLUSIONS

5.1 Findings

The major findings of the study are as follows:

1. It is found that raising funds within family and close friends is relatively easy and the cost of fund is also very low. It is also observed that most of the respondents' face difficulty in raising funds from long term bank loan. This may be due to the fact in the initial phases of the business banks are not sure about the performance in the future. Hence, they are reluctant in providing long term bank loans to the new enterprises.

2. As per the test of difference according to ages of the firms it is found in the study that both type of firms has faced the same degree of difficulty in raising funds from different sources during the startup phase.

3. It is found that during the growth phases of the business getting funds from specialized institutions is very difficult. Most of the business men had the experiences that raising funds from family and close friends is the most convenient option to raise funds during the growth phase of their business. After family and close friends long term bank loan and trade credits are considered to be better option for raising funds during the growth phase of their business.

4. It is also found that most of the respondents' face difficulty in raising funds from pvt equity or debt from investors from India during their growing phase. This may be due to the fact that in the progressive phase of the business investors are not sure about the generation of income in the future. Hence, they are reluctant in providing funds to the enterprises in this phase.

5. It is also found that the new firms are facing significantly more difficulty in raising funds as compare to old firms. This is due to the fact the risk associated with new firms are significantly higher than old firms. Due to this the banks are highly sensitive and reluctant in providing funds to the new firms. However, the well-established SMEs are facing less difficulty in raising funds. It is also found that the angle investors who want to invest in other businesses generally look for high potential young firms as compare to well establish old firms.

6. As per the test of difference with respect to SMEs in different sectors it is found that all type of firms has faced almost the same degree of difficulty in raising funds from different sources during the startup phase.

7. In the study it is found that financing and interest rate problem is the most severe problem for the business. The firms feel that it is a great hurdle for their business decision making and setting targets for the future. For getting the fund available SMEs are very much dependent on various internal and external sources. The internal sources are limited while seeking from external sources they have to pay a high rate of interest. Which some time shows a big loss while analyzing profit/cost trade off.

8. As per the test of difference according to ages of the firms it is found that in case of cost of labour, quality of labour, and cost of

availability of insurance there is a considerable variation in the perception of managers working with firms with different ages. It is also found that business problems are more severe in case of old firms than young firms.

9. It is found that business performance in terms of profitability and sales were worst. On the one hand the profitability is the motivation for the businesses for long term survival and growth prospects the other hand sales growth is required to instill blood in the veins of the business. It gives motivation for the long term survival. The SMEs feel that it is a great hurdle for their business decision making and setting targets for the future. The firms think that their business profitability is on decline.

10. As per the test of difference according to ages of the firms it is found that in case of sales, profitability, using new IT solutions, advertising and cyclical issues there were differences in the opinion of the firms. Such difference may be due to the fact that the firms have different customer base, experience, government and source of capital as per the age of the firm. Hence it is found that there are differences in the perception of managers working with firms with different ages.

11. It was found that among the various other responsible factors finance was the main reason for lower business performance in case of expansion of business and lower profitability.

5.2 Suggestions

The suggestions for the financial institutions, government and SMEs may be summarized as follows:

1. The financial institutions should open branches in different part of India specifically for startups. Where they may have easy accessibility, minimum compliance formalities and more focused concentrate over their changing needs.

2. The financial institutions should minimize the time of sanctioning loans to SMEs. They should provide collateral free loan to the SME sector.

3. Special featured long term loan should be designed for SMEs which may fulfill their specific needs. While sanctioning such loans point system may be adopted. Points may be awarded on the basis of past track record, entrepreneur personal record, nature of business, business ranking, business perception of the current financial institutions and business knowledge of the business man etc.

4. New firms face a lot of difficulties in raising funds in their initial phase of the business cycle. Business specific strategies should be made to make the funds available to such firms.

5. Owners of SMEs must be encouraged to join the various 'Entrepreneurship Development Programmes (EDPs)', as most of the entrepreneurs are not aware about the various government schemes for SMEs welfare. With the help of EDPs they may know avenues of different financing sources and compliance formalities for the same.

6. Labour cost (Training and remuneration) is the big factor of total cost for the SMEs. Proper incentives may be offered to the staff to minimize the crisis of high turnover. A good system of staff' maintenance may also be adopted to discourage the custom of absenteeism.

7. The SMEs do not fetch reasonable price of their products due to lengthy distribution chain, presence of big industries and lack of knowledge and reputation of their products in the market. For encouraging them the government and various agencies should come forward to assist them.

8. Training and awareness program must be implemented for the entrepreneurs regarding the existing schemes, facilities and support system so that they may take maximum advantages of them.

9. There should be a mechanism of financial automation for SMEs. Where various government schemes and provisions may be made available to the SMEs automatically. For this it is a must that the unregistered SMEs get registered. The bank accounts of such SMEs should be linked over a single control link. The bank accounts can be linked by using their Aadhar numbers.

10. There is a dedicated stock exchange for the small and medium enterprises. Most of the SMEs do not know about it. There is a need to run an awareness campaign for SMEs to make them aware. There is also a need to open branches of SME's

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stock exchange in different part of the country.

11. Measures have been introduced to rehabilitate the sick SME units and expedite the insolvency procedure by establishing IBBI and implementing insolvency and bankruptcy code 2016. There is an emergent need to relook the whole process and a need to make SME specific provisions.

12. There should be a coordination linkage among industries, research institutions and academicians to work together in collaboration to increase capabilities.

13. It is found that during the growth phases of the business getting funds from specialized institutions is very difficult. The government should manage such institutions so that timely and adequate funds may be sanctioned to the SMEs in their growth phase.

14. The new SMEs are unable to get goods on credit due to absence of market recognition, paying capacity idea and past payment records. The government of India should provide assurance of credit worthiness for such SMEs to their lenders.

5.3 Conclusion

Startups are considered as a back bone for overall industrial development of the country. India has a number of registered and unregistered SMEs which are contributing a good portion of overall manufacturing and services of the country. India is a growing economy which is based on agriculture followed by manufacturing and service sector. In last decade the contribution of manufacturing and service sector in Indian economy is growing at a faster rate. Due to many policies framed by the government new entrepreneurs are coming up with new business ideas. The culture of startups is developing in India. The young generation prefers to start their own business rather than joining existing companies. Often SMEs face financial difficulties mainly during the start up. A big number of SMEs are in scarcity of funds, they have yet to tap into the funds provided by the banks. Only a small portion of SMEs thus far have successfully received this funding and this big gap poses a question mark and triggered the need to conduct a study. Though there are a number of programs offered by the government but due to the red tapes, huge compliance and the rigidity of the procedures, it hampers the smooth success of the programs. There are a number of different avenues of financing. A business may fulfill its financing needs keeping in mind the nature of requirements and nature and cost of the concerned source of financing. Different short term and long-term sources of financing is truly the blood circulation in the veins of any business firm. The environment related to business credit in India is highly dynamic. The level of competition is also rising. The customers are looking for best quality products with credit facility. The buyer wants to buy goods and services with mostly proportion on credit, as the existing funds may be used for other purposes.

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