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Funding Pattern of Small Business Enterprises in India: An Empirical Study

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Abstractt – A regular and continuous flow of funds is a very essential component of a successful business. The funds are essential part for the organization to meet various required outflows such as, funds are required for sales promotion, advertising, and other general overhead expenses; salaries, wages and conveyance are to pay; raw materials are to purchase and equipment need to be purchased and serviced; reserves are needed to be made till the customers make their payment. Different short term and long-term sources of financing is truly the blood circulation in the veins of any business firm. Now the important question come up as to how do a business obtain funds from different sources. 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. 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. A regular and continuous flow of funds is a very essential component of a successful business. Funds are an essential and flowing part of a successful business. It is particularly needed for various operating and non-operating activities of the business such as, paying remuneration to staff, purchasing raw material, paying for marketing, for making reserves until the customers pay their credit. Different short term & long-term sources of financing is truly the blood circulation in the veins of any business firm. Now the important question come up as to how do a business obtain funds from different sources. 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. In the study the responses are collected from 310 entrepreneurs who are in the process of expanding their new startups.

Key Words: SMEs, MSME, Micro Finance, Sources of Financing, marketing-mix, standardization, export commitment, competition, foreign market development

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1. INTRODUCTION

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 Small and Medium Enterprises 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.

SME's are playing a significant role in economic 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 trillion[19] ($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 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

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

the accessible literature on financing to small and medium enterprises.

Different researchers have made studies on the related topics in different dimensions. A concise review of few selected study is presented here.

- **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.

- **Constaninos Stephano, Camila Rodriguez, World Bank Publications in the study titled "Bank Financing to Small and Medium-Sized Enterprises (SMEs) in Columbia"** told that the productions are roused for all around recorded funding srevice for SMEs, whose reasons are minded boggling and in different areas.

- **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 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.

- **Financing of Small and Medium Sized Businesses, Harry Gross, Prentice Hall, Englewood Cliffs, New Jersey:** Small and medium estimated organizations from the point of view of this book are depicted in relationship to their financing needs as opposed to for physical size, volume, or staff utilized. In such manner a small or medium estimated business would be characterized as an organization with intense and expanding requirement for extra finances for development, however with genuine confinements on wellsprings of assets to be acquired.

- **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.

- **"Bailis, Rob, Cowan, Amanda, Berrueta and Masera, Omar. 2009. 'Arresting the Killer in the Kitchen: The Promises and Pitfalls of Commercializing Improved Cookstoves'.** ***World Development*****. 37(10): 1694-1705":** Rather than presenting an ''either/or'' choice of commercialization or continued subsidization, the evidence justifies a balanced approach acknowledging that the adoption of certain business practices would lead to a more successful stove distribution, but also accounting for the difficulty of establishing viable commercial enterprises in the places where the disease burden from household energy is highest and acknowledging that the links between household energy and health are characterized by public goods and may deserve long-term state and/or donor support.

- **"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.

- **"Booyens, Irma. Are Small, Medium, and Micro-Sized Enterprises Engines of Innovation? The Reality in South Africa, *Science and Public Policy* 38.1 (2011)" 67-78. Electronic:** It utilizes information from the "South African National Innovations Survey (2002-2004)" to remark on the factor of SME growth in South Africa. The maker rehashes the set presumptuous by Ligthelm (2008) mentioned that strategy former of South African commonly neglect to adequately discriminate that compose "survivalist" vs "non-survivalist" vibrant undertakings. Accordingly, understanding intercessions frequently accept (erroneously) that all SMEs have a significant extension for growth. Actually, an aptitude to improve is definitely the gripe of a couple select companies.

- **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.

- **"Financial Services Regulation Task Group, SMEs' Access to Finance in South Africa: A Supply-Side Regulatory Review, Internal Task Group Report (2007)":** It investigates the ampleness of SMEs entrance to investment, obligation, & value, & assesses the degree for which the funds provider way of South Africa's managing an account manufacturing is empowering or hurting the nation's SME industries. This study constructs the genuinely obvious remark that South Africa's managing an account & speculation atmosphere is very moderate, with economic services & approaching enterprise openings gathering principally to small companies in the later phases of improvement (instead of start-up SMEs).

- **"FinMark Trust. *Finscope Small Business Survey 2010* (2010)":** It uses center gatherings and organized surveys to test entrepreneurs crosswise over South Africa (equally provincial and non-rural based) regarding the problems they deal with in their everyday process. The study discovers that, in spite of a great part of the common writing, SMEs in South Africa don't deal with sets of uniform difficulties. Rather, challenges have a tendency to be area particular. SMEs in Gauteng, for instance, have a tendency to have more prominent access to back and providers, however have more trouble discovering freedom in which to employment.

- **"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* analyze the funding pattern of small business enterprises in India. 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 sources of 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 21 is used for the purpose of data analysis.

Hypotheses to be tested

From the above objectives, the following hypothesis can be derived which is to be tested later on:

HO_1: "*There is no significant impact in the SME's funding pattern due to the different profiles, industry they belong to"*

HO_2: "*There is no significant difference in the SMEs financing done by different SME's of different profiles"*

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 funding pattern of small business enterprises in India, the primary data is collected from senior executives working with selected small and medium enterprises in the study. This includes the results of frequency distribution and descriptive analysis, independent sample t-test and one-way ANOVA.

4.1 Ideal level of debt

In order to start any business, the funds are required. There are mainly two sources of raising funds i.e. debt and equity. The ratio among these two varies industry to industry keeping in mind various factors such as, business conditions, cost of capital, financing constraints, time required to ge, dilution of control, tax advantages, and obligation of dividend/interest etc. While conducting the survey it was asked to the respondents about their desired level of debt in their business organization. Table 4.1 indicates the analysis of data related to ideal level of debt as per the choice of the respondents.

Table 4.1: ideal level of debt

Mean	70.224
Standard Deviation	21.6581
Skewness	-0.997
Kurtosis	-0.283

The result indicates that the mean score is above 70 percent, which indicates that the desired standard debt to equity ratio is approximately 3:1 which more than the ideal level i.e.2: 1. It means the respondents preferred debt over the equity. This may be due to various attractions from the debt source of financing such as, low cost of capital, easy financing, less time required to get, non-dilution of control, and tax advantages. The value of standard deviation is more than 21, which indicates that the data are extended out above a wider series of values. It means that there is a variance in choosing desired level of debt percentage in the funding of the organization. It may be due to specific nature of the industry and finance requirements for the same. The skewness and kurtosis values are within the range of -1 to +1, means negligible.

Test of difference: ideal level of debt vs age of the firm

In comparison of responses collected from the respondents according the age of firms for ideal level of debt. 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 Upto 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 ideal level of debt the "independent sample t-test" is applied. Here the perception about ideal level of debt 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 considerable variation between the young & old SMEs for ideal level of debt. The outcome of "independent sample t-test" is indicated below in table.

Table 4.2: "independent sample t-test" between old and young SMEs with respect to ideal level of debt

Age of firm	Mean (Standard Deviation)	F-Statistics (P-Value)	t-Test (P-Value)	Remarks
More than 16 years	68.130 (23.9606)	28.256 (0.000)	-1.835 (0.067)	Null hypothesis accepted
Upto 16 years	72.639 (18.4443)			

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 for equality of variances" followed by "independent sample t-test". The "Levene test for equality of variances" 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 indicate that the p-value of t-statistics related to ideal level of debt is found to be over 5% 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 mean scores of young firms are greater than the mean score of old firms. This indicates that young firms are in more favor of funding from debt in comparison of equity. It may be due to various attractions from debt form of funding. The value of F Statistics shows that there is a significant difference in two group firms' views. Thus, the study may conclude that both type of firms desire more proportion of debt funding in the organization. The new firms are more in favor of debt funding.

4.2 Fund Ownership pattern

In order to start any business, the funds are required. The funds may be collected from different people including owners, banks, financial institutions, specialized institutions and employees. Initially the entrepreneurs start with their savings and try to raise funds from their family members and friends. In addition to this many institution 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 fund ownership pattern in their organizations. Table 4.3 explains the frequency distribution of the responses related to fund ownership pattern from different sources is shown.

Table 4.3: fund ownership pattern

Type of Difficulty	Below 25%	25-50%	50-75%	75-100%
Owners & Friends	83(26.8%)	95(30.6%)	88(28.4%)	44(14.2%)
FIs/Banks	58(18.7%)	112(36.1%)	88(28.4%)	52(16.8%)
Specialised Institutions	228 (73.5%)	51(16.5%)	00 (00.0%)	31(10.0%)
Employees	310 (100.0%)	00 (00.0%)	00 (00.0%)	00 (00.0%)
Any Other	310 (100.0%)	00 (00.0%)	00 (00.0%)	00 (00.0%)

The frequency distribution as shown in table indicate that about 30 percent of the respondents responded that about 25-50 percent of their total business funding is mainly contributed by owners and friends. While about 28 percent respondents responded that 50 to 75 percent of their funding is from owners and friends. A total of 59 percent of the total respondents told that on an average 50 percent of their total funds are from owners and their friends. It may be due to easy availability of funds from this sector. Approximately 36 percent of the respondents responded that 25-50 percent of their total funding is from financial institutions and banks while approximately 28 percent told that their total funding from this sector is 50-75 percent. It may be due to the fact that various benefits are obtained of funding from banks and financial institutions such as tax advantages, low cost of capital, and non-dilution of control. Approximately 74 percent of the total respondents responded that their total funding from specialized institutions such as SIDBI, SFCs etc. is below 25 percent. It may due to unawareness and unreachability of SMEs towards these financial institutions. The total funding from employees in the organizations is negligible. All the respondents (100 percent) responded that the contribution of employees in their total funding is below 25 percent. The descriptive statistics of the respondents are too evaluated. For this mean score, std. deviation, skewness and kurtosis are estimated. Outcome of descriptive statistics is shown as under in table 4.4.

Table 4.4 Descriptive Statistics

Type of Difficulty	Mean	Standard Deviation	Skewness	Kurtosis
Owners & Friends	2.300	1.0162	.191	-1.091
FIs/Banks	2.432	.9789	.129	-.976
Specialized Institutions	1.465	.9228	2.032	2.869
Employees	1.000	0.0000	NA	NA
Any Other	1.000	0.0000	NA	NA

The result indicates that the mean score of financial institutions/banks is found to be highest which indicates that most of the funds have been invested by this sector. This may be due to the fact that funding from this sector is easy, tax advantages are obtained, cost of capital is low, and there is non-dilution of control. The second highest mean score is for owners &friends. After financial institutions and banks owners and their friends invest highest proportion of funds in the organizations. It may be due to the facts that obtaining funding from this sector is relatively easy and burden free. Funding from specialized institutions and employees are very low in comparison of financial institutions, banks, owners and their friends. It may be due to unawareness towards the specialized institutions, fewer involvements of employees and more attractiveness towards financial support from banks, owners and FIs. 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 all the responses (except specialized institutions) received from the respondents against all the statements in relation to funding pattern from different sources are found to be less than one indicating that normal distribution of the responses. The skewness and kurtosis values of specialized institutions are greater than one indicates highly skewed distribution. The diagrammatic representation of average scores in all the statement is shown under in figure 4.1.

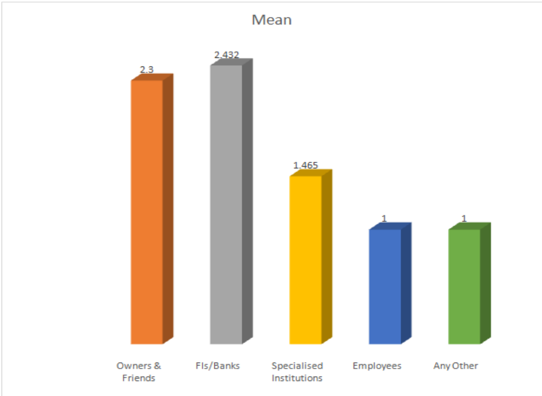

Fig. 4.1 Graphical representation of mean score

Test of difference: proportionate fund ownership pattern vs age of the firm

In comparison of responses collected from the respondents according the age of firms for proportionate fund ownership pattern. 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 Upto 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 proportionate fund ownership pattern the "independent sample t-test" is applied. Here the perception about proportionate fund ownership pattern 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 considerable variation between the young & old SMEs for proportionate fund ownership pattern. The outcome of "independent sample t-test" is indicated below in table.

Ajay Kumar Garg*

Table 4.5: "independent sample t-test" between old and young SMEs with respect to fund ownership pattern

Problem Statement	Groups	Mean	Standard Deviation	F-Statistics (P-Value)	t-Test (P-Value)	Remarks
Owners & Friends	More than 16 years	2.289	1.0331	0.412 (0.521)	-0.201 (0.841)	Null hypothesis accepted
	Upto 16 years	2.313	.9998			
FIs/Banks	More than 16 years	2.452	.9882	0.071 (0.791)	0.377 (0.706)	Null hypothesis accepted
	Upto 16 years	2.410	.9710			
Specialized Institutions	More than 16 years	1.470	.9124	0.013 (0.908)	0.110 (0.913)	Null hypothesis accepted
	Upto 16 years	1.458	.9377			
Employees	More than 16 years	1.000	.0000ª	NA	NA	NA
	Upto 16 years	1.000	.0000ª			
Any Other	More than 16 years	1.000	.0000ª	NA	NA	NA
	Upto 16 years	1.000	.0000ª			

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 for equality of variances" followed by "independent sample t-test". The "Levene test for equality of variances" tests the null hypothesis that the variances of two independent samples are same. According to the result "independent sample t-test" is applied. The results as indicated in table shows p-value of t-statistic in term of all the statements related to funding pattern from different sources is found to be over 5% level of significance. Therefore, at 95% confidence level the null hypothesis of no significance variation between the firms of diverse age groups can be accepted with respect to proportionate fund ownership pattern. Thus, the study may conclude that both type of firms has almost same funding pattern from different sources.

Test of difference with respect to SMEs in different sectors

The data has been collected from SMEs working in different sectors i.e service, manufacturing and trading. One-way Anova is useful to study the variation, if any exist, among the SMEs working in different sectors and fund ownership pattern. The results of One-way Anova are shown below in table.

Table 4.6: Test of difference with respect to SMEs in different sectors

Statements	Groups	Mean	Std Deviation	F Statistics (P-Value) (Sig)	Remarks
Owners & Friends	Service	2.393	1.0532	1.219 (.297)	Null hypothesis accepted
	Manufacturing	2.222	1.0264		
	Trading	2.411	.9550		
	Total	2.300	1.0162		
FIs/Banks	Service	2.197	.9455	2.363 (.096)	Null hypothesis accepted
	Manufacturing	2.511	1.0028		
	Trading	2.438	.9278		
	Total	2.432	.9789		
Specialized Institutions	Service	1.607	1.0689	1.523 (.220)	Null hypothesis accepted
	Manufacturing	1.472	.9315		
	Trading	1.329	.7464		
	Total	1.465	.9228		
Employees	Service	1.000	.0000	NA	NA
	Manufacturing	1.000	.0000		
	Trading	1.000	.0000		
	Total	1.000	.0000		
Any Other	Service	1.000	.0000	NA	NA
	Manufacturing	1.000	.0000		
	Trading	1.000	.0000		
	Total	1.000	.0000		

The results as indicated in table shows the "p-value of F-statistics" for all the statements related to fund ownership pattern is found to be over 5% level of significance. Therefore, at 95% confidence level the null hypothesis of no significance variation between the firms of diverse age groups can be accepted. Thus, the study may conclude that all type of firms has the same fund ownership pattern.

4.2.1 Avg interest rate for short term & long-term funds

Cost of funds is a very important concern for every business man. In order to start any business, the funds are required. There are many sources of raising funds. If the funds are collected from debt source, interest on such debt source is paid. Rate of interest very much affect the decision making of the business man towards the source of collecting funds. The entrepreneurs selected for the study were asked to provide the response related to the average rate of interest for short term & long-term funds, they generally pay for. Accordingly, For this mean score, std. deviation, skewness and kurtosis are estimated. Outcome of descriptive statistics is shown as under in table 4.7.

Table 4.7 Descriptive Statistics

Statements	Mean	Standard Deviation	Skewness	Kurtosis
Interest for short term bank loan	14.71	5.501	0.85	-0.154
Interest for long term bank loan	9.38	2.903	2.23	6.423

The result indicates that the mean score for short-term bank loan is found to be highest which indicates that most of the respondents' feel short term bank loan as a costly fund. While raising fund through long term bank loan is comparatively cheaper. This may be due to the fact that short term bank loan is for a short duration and some time the lending institutions do not offer loan for a long term keeping in mind the solvency status of the businessman and nature of business and a high rate of interest is charged for such loan. While it is believed that long term bank loan is comparatively secure, and loan is offered on a cheaper rate. The standard deviation of interest for short term bank loan is more spread out in comparison of interest for long term bank loan, indicating that respondents have varying experiences in their experiences in raising funds from short term bank loan. The skewness and kurtosis estimates in case of interest for short term bank loan, responses received from the respondents against the statements in related to raising funds from different sources are found to be around one indicating normal distribution of the responses. In case of interest for long term bank loan skewness and kurtosis values are more than one indicating heavy tailed relative to normal distribution.

Test of difference with respect to SMEs in different sectors

The data has been collected from SMEs working in different sectors i.e service, manufacturing and trading. One-way Anova is useful to study the variation, if any exist, among the SMEs working in different sectors and avg interest rate for short term & long-term funds. The results of One-way Anova are shown below in table.

Table 4.9: Test of difference with respect to SMEs in different sectors

Statements	Groups	Mean	Std Deviation	F Statistics (P-Value) (Sig)	Remarks
Interest for Short Term Bank Loan	Service	15.29	5.934	4.380 (.013)	Null hypothesis rejected
	Manufacturing	13.94	5.042		
	Trading	16.08	5.929		
	Total	14.71	5.501		
Interest for Long-Term Bank Loan	Service	9.3443	3.27814	.116 (.890)	Null hypothesis accepted
	Manufacturing	9.3381	2.85521		
	Trading	9.5274	2.71428		
	Total	9.3839	2.90286		

The results as shown in table indicate that the p-value of F-statistics in case of interest for long-term bank loan is found to be over 5% level of significance. Therefore, at 95% confidence level the null hypothesis of no significance variation between the firms of diverse age groups can be accepted. In case of interest for short term bank loan, p-value of F-statistics is found to be less 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 cannot be accepted. It shows that there is considering difference among the service, manufacturing and trading sector in term of interest for short term bank loan. Mean score of manufacturing sector is least, it shows that this sector avail loan on a less rate of interest in comparison of other two sectors. It may be due to the reasons that manufacturing sector has more trust in the eyes of various financial institutions. They offer loan to this sector on a less interest rate in comparison of other two sectors. Mean score for merchandising or trading sector is highest, is shows that the loan is available for this sector on a high rate of interest. As they do not have more securities to mortgage or pledge and as a result the financial institutions feel it a risky borrower and offer loan on a higher interest rate.

4.2.2 Most responsive banks to SME needs

In current scenario collecting funds as and when required is a highly challenging task. A key barrier to the expansion of the SMEs is its lack of adequate access to funds. Since last few years the big financial institutions have been decreasing the quantity of credit which they are offering to SMEs. It may be due to, "Weak demand, tighter lending standards and high costs that have put a lid on small business borrowing". There are different formal and informal avenues of funds available in the market. In the formal sector of funding there are different responsive banks as per SME needs. While funding banks generally keep in mind the different aspects such as liquidity of funds, level of risk and return. There are different banks which are responsive to the SME needs such as commercial banks, development banks, cooperative banks and specialized banks. In the study the respondents were requested to provide their inputs against the different responsible banks as per their needs. Table 4.10 explains the frequency distribution of the responses received.

Table 4.10: Most responsive banks to SME needs

Type of Banks	Responses	Response Percentage	Weighted Responses
Commercial Banks: State owned	188	60.6%	16.22%
Commercial Banks: Private	203	65.5%	17.52%
Commercial Banks: Foreign	85	27.4%	7.33%
Cooperative Banks: Primary Credit Society	81	26.1%	6.99%
Cooperative Banks: Central Co-operative banks	117	37.7%	10.09%
Cooperative Banks: State co-operative banks	179	57.7%	15.44%
Development Banks	192	61.9%	16.57%
Specialized Banks	114	36.8%	9.84%

The frequency distribution as shown in table indicates frequencies of different responsive banks as per SME needs. Accordingly, highest number of approximately 65 percent of respondents feels that private commercial banks are the most responsive banks for fulfilling SME financing needs. Weighted percentage of frequency for the same is 17.52 percent of the overall responses. Second highest number of responses is for development banks. Approximately 61 percent of respondents feel that development banks are the most responsive banks for fulfilling their financing needs. Weighted percentage of frequency for the same is 16.57 percent of the overall responses. The main reason behind such high number of responses in favor of these two types of banks may be due to easy accessibility, less documentation, low cost of capital and durability of funds. Next to these two banks are state owned commercial banks and State cooperative banks. Where approximately 60 percent and 58 percent respectively respondents feel that these banks are also highly responsive for their financing needs. The cumulative weighted percentage for all above four types of banks are about 65 percent of total responses received for all types of banks. According to respondents these four banks are most responsive for their financial needs. Low percentage of responses received for primary cooperative credit societies, foreign commercial banks, specialized banks and central Co-operative banks. Where approximately 26 percent, 27 percent, 37 percent and 38 percent respectively respondents feel that these banks are responsive for their financing needs. The low percentage of responses may be due to difficulties faced while funding from these banks. According to respondents they feel number of difficulties while financing from these banks such as more paper work, high cost of capital, lengthy procedure, and less durability etc. The descriptive analysis of the responses is also estimated. For this mean score, std. deviation, skewness and kurtosis are estimated. Outcome of descriptive statistics is shown as under in table 4.11.

Table 4.11 Descriptive Statistics

Type of Bank	Mean	Standard Deviation	Skewness	Kurtosis
Commercial Banks: State owned	0.606	0.489	-0.438	-1.820
Commercial Banks: Private	0.655	0.476	-0.655	-1.582
Commercial Banks: Foreign	0.274	0.447	1.017	-0.971
Coop. Banks: Primary Credit Society	0.261	0.440	1.092	-0.813
Cooperative Banks: Central Co-operative banks	0.377	0.486	0.508	-1.753
Coop. Banks: State co-operative banks	0.577	0.495	-0.315	-1.913
Development Banks	0.619	0.486	-0.494	-1.767
Specialized Banks	0.368	0.483	0.551	-1.707

The result indicates that the mean score of private commercial banks is highest. It denotes that private commercial banks are highly responsive for SME funding needs. Finance has always remained a most important bottleneck in the development of the SME sector. The SMEs feel that private commercial banks are much responsive to their needs as and when required. The mean score of 0.655 indicates that it is a favorite bank. However, for getting the fund available they are very much dependent on various internal and external factors. After private commercial banks, development banks, state owned commercial banks, and state cooperative banks have the highest mean score i.e. 0.619, 0.606 and 0.577 respectively. The mean score of all these four banks are highest and indicate that the SMEs rely on them for their funding requirements. Primary cooperative credit societies, foreign commercial banks, specialized banks and central Co-operative banks, have the low mean scores i.e. 0.261, 0.274, 0.368 and 0.377 respectively. The low mean score indicates that the respondents feel that these banks are not much responsive for their financing needs. It may be due to tedious paper work, high cost of capital, lengthy procedure, and less durability etc. The standard deviation of all the respondents for all the options is found to be less than one indicates 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 are found to be around one indicating that normal distribution of the responses. The diagrammatic representation of average scores in all the statement is shown under in figure 4.2.

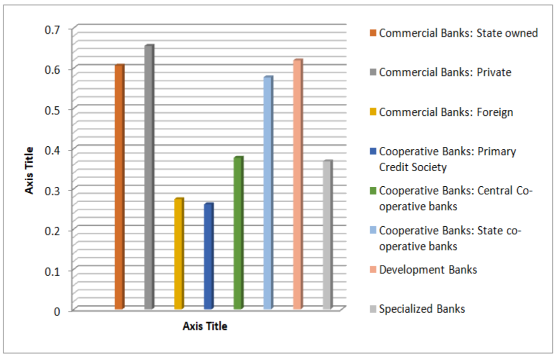

Fig. 4.6 Graphical representation of mean score

4.3 Standard trade credit term and rate of discount for early payment in the industry

When a business is started, and it starts nurturing, it needs funds to grow further. There are many sources of raising funds. Trade credit is one of the sources of funds. The suppliers are reluctant to provide in the initial phase of the business. At the time of deciding the proportion of trade credit in the business various factors are taken care of by the suppliers such as, looking past payment records, business solvency status, term of credit, and age of the firm etc. Trade credit term is an important issue in most of the SMEs, as long the trade credit term; more the firm gets easy to take long term decisions. In order to recover trade credit arrears the suppliers offer different rate of discounts. Such rate vary according to the term of credit, nature of firm, age of firm, solvency status of the firm and trade customs. For instigating the firms for prompt and early payment, they are offered cash discounts so that the payment may be recovered in a timely manner. The entrepreneurs selected for the study were asked to provide the response related to the standard trade credit term in their firms. Table 4.14 and table 4.15 explain the frequency distribution of the responses related to standard trade credit term and rate of discount for early payment respectively.

Table 4.14: Standard trade credit terms in the industry

Duration of period	Frequency	Percentage
Below 1 Month	95	30.6%
1-3 Months	139	44.8%
3-6 Months	22	16.1%
6-12 Months	29	7.1%
Above 1 Year	4	1.3%

The frequency distribution as shown in table indicates that approximately 45 percent (highest percentage) of the respondents responded that standard trade credit term in their firms is between one to three months. It indicates that trade credit for one to three months duration is easily available for mostly number of firms. While taking proportion of trade credit in total funding related decisions it can be kept in mind. According to respondents the trade credit is easily available for the said term. However they have to fulfill certain compliance and formalities. Approximately 31 percent (second highest percentage) of the respondents responded that their standard trade credit term is below one month. On analyzing the age of the firms it was known that this term is generally offered to new entrants and less experienced firms. The nature of SMEs for this period is also different. SMEs involved in FMCG sector is generally selected for this term. If combined together, about 76 percent of the respondents responded that their standard trade credit term is either below one month or 1-3 months i.e. below three months. It indicates that for majority of firms the credit term upto three months is only available. It indicates that instead of making prompt payments, the existing funds for upto three months, can be utilized for other important business needs such as buying fixed assets, repayment of loan, for investing etc. Approximately 16 percent of the respondents told that their standard trade credit term is between three to six months, indicates that the suppliers are reluctant to offer trade credit term for more than three months to mostly of the firms. This may be due to solvency status of the firms, trade experience, business cycles, future expectations for the firms etc. The suppliers are highly reluctant to provide trade credit for a term six months or more. Approximately 9 percent of the respondents responded that their trade credit term is between six month to one year, where firms are selected keeping in mind their age, status, nature of business and past transactions. Approximately 2 percent of the respondents told that their trade credit term is above one year. It may be due to fear in the minds of the suppliers that the amount may not be paid back and a high opportunity cost of the credit funds.

Test of difference: standard trade credit term vs age of the firm

In the study the responses are collected from the senior executives working with SMEs with respect to the standard trade credit term of the firm in raising the trade credit. 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 Upto 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 standard trade credit term and rate of discount for early payment, "independent sample t-test" is applied. Here the perception about standard trade credit term of the firm and rate of discount for early payment are considered as dependent variables and the two categories of the firms considered as independent variable. The "null hypothesis of independent sample t-test" assumes that there exists no considerable variation between the young & old SMEs for their perception about trade credit term. The outcome of "independent sample t-test" is indicated below in table.

Table 4.17: "independent sample t-test" between old and young SMEs with respect to standard trade credit term and rate of discount for early payment

Problem Statement	Groups	Mean	Standard Deviation	F-Statistics (P-Value)	t-Test (P-Value)	Remarks
Credit term period	More than 16 years	2.3253	1.01633	15.834 (.000)	**6.225 (.000)**	**Null hypothesis rejected**
	Upto 16 years	1.7014	.69039			
Rate of discount for early payment	More than 16 years	2.4759	.94517	23.740 (.000)	**4.881 (.000)**	**Null hypothesis rejected**
	Upto 16 years	1.9931	.77095			

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 for equality of variances" followed by "independent sample t-test". The "Levene test for equality of variances" 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 indicate that the p-value of t-statistics in case of credit term period and rate of discount for early payment is not found to be over 5% 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. There is a significant difference. Thus, the study may conclude that there is a great difference in credit term offering and rate of discount for early payment according to the age of the firm and the period they spent in the market.

Test of association: standard trade credit term and rate of discount for early payment

The standard trade credit term and the rate of discount for early payment may have the association between their term and rate. The Chi-square analysis is useful to test the association between standard trade credit term and the rate of discount for early payment. This test is used to analyse the presence of association if any, amid the two categorical variables considered in the study. The null hypothesis of the Chi Square test applied here is that there exists no significant association between standard trade credit term and the rate of discount for early payment. The results of Chi Square test is applied between different pairs of standard trade credit term and the rate of discount for early payment are shown below:

Table 4.18: Test of association

Length of period	Typical discount						Pearson Chi Square	Cramer's V Statistics
	1-2%	2-5%	5-10%	10-20%	More than 20%	Total		
Less than 1 month	32	53	8	2	0	95		
1-3 months	24	79	32	4	0	139	162.591 (.000)	.362 (.000)
3-6 months	2	16	22	8	2	50		
6 months to 1 year	0	1	5	15	1	22		
Beyond 1 year	0	2	2	0	0	4		
Total	58	151	69	29	3	310		

In case of the association between the standard trade credit term and the rate of discount for early payment of the selected firms as shown in table the probability value of the "Pearson Chi Square statistics" is found below five percent level of significance. Thus with 95% confidence level, we may conclude that there presents considerable association between the standard trade credit term and the rate of discount for early payment of the selected firms. The Cramer's V indicates the strength of the association. The Cramer's value of 0.362 shows that strength of the association in modest. It is observed in the study that the discount range 2-5 percent is mostly offered and it is mostly offered for the credit period on 1-3 months. The diagrammatic representation of association between the standard trade credit term and the rate of discount for early payment is shown below.

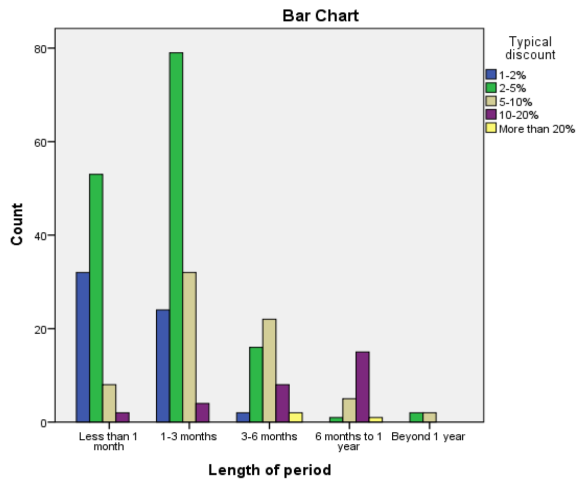

Fig. 4.7 Graphical representation of association

5. FINDINGS, SUGGESTIONS AND CONCLUSIONS

5.1 Findings

The major findings of the study are as follows:

1. It is found that ideal level of debt as per the desire of the surveyed firms is 70 percent which is more than the ideal debt equity ratio i.e. 2: 1. It indicates that more funds are desired to opt from debt sector instead of equity due to different benefits associated with it such as tax benefits, no ownership claims and fixed cost of capital.

2. As per the test of difference according to ages of the firms it is found that there is no difference between the young firms and old firms in terms of debt equity ratio.

3. It is found in the study that most of the funds have been invested by financial institutions or banks. This may be due to the fact that funding from this sector is easy, tax advantageous, lower cost of capital, and non-dilution of ownership control.

4. As per the test of difference according to ages of the firms it is found in the study both type of firms has almost same funding pattern from different sources.

5. As per the test of difference with respect to SMEs in different sectors it is found in the study that almost all type of firms has faced the same business performance in the last three years.

6. It is found that rate of interest for short-term bank loan is highest than long term bank loan which indicates that most of the respondents' feel short term bank loan as a costly fund. While raising fund through long term bank loan is comparatively cheaper. This may be due to the fact that short term bank loan is for a short duration and some time the lending institutions do not offer loan for a long term keeping in mind the solvency status of the businessman and nature of business and a high rate of interest is charged for such loan.

7. 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 paying rate of interest from different sources.

8. As per the test of difference with respect to SMEs in different sectors with respect to interest for short term bank loan it is found that there is a considering difference among the service, manufacturing and trading sector. Rate of interest for manufacturing sector is least, it shows that this sector avail loan on a less rate of interest in comparison of other two sectors. It may be due to the facts that manufacturing sector has more trust in the eyes of various financial institutions. Rate of interest for trading sector is highest which shows that the loan is available for this sector on a high rate of interest. As they do not have more securities to

mortgage or pledge and as a result the financial institutions feel it a risky borrower and offer loan on a higher interest rate.

9. As per the test of difference according to ages of the firms it is found that in case of state owned commercial banks and central cooperative banks there is significant difference in the perception of managers working with firms with different ages. Foreign commercial banks shows less interest in SME financing because their main aim is to wealth maximization by keeping its funds secure, liquid and high return based.

10. As per the test of difference according to ages of the firms it is found that there is a difference in credit term offering and rate of discount for early payment according to the age of the firm and the period they spent in the market.

11. As per the test of association between standard trade credit term and discount rate for early payment it can be concluded that there exists significant association between the standard trade credit term and the rate of discount for early payment of the selected firms. It is observed in the study that the discount range 2-5 percent is mostly offered for the credit period on 1-3 months.

5.2 Suggestions

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

1. Measured should be introduced by the financial institutions to restructure and rehabilitate the sick SME units.

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

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

4. 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.

5. 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.

6. Availing loan facility from financial institutions is a time taking process. The loan procedure should be simplified and sanctioned within a defined period. It may bring down the total transaction cost and time.

7. The officials of financial institutions should be trained by the appraising authority so that they may evaluate the loan proposals in a time bound and proper manner.

8. 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

9. The entrepreneurs should study the different case studies of SMEs who arranged finance from different sources and benefitted.

10. The SMEs should focus and work on the points which are considered important by the financial institutions to lend money such as previous payment track-record, Business connections, value of assets, reputation of the firm etc.

11. An online portal for online registration of SMEs has been operationalized by the government of India in association with the District Industries Centre. For taking various services such as pollution control, taxation and power etc, this online portal may be linked with different departments of different state governments.

12. 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 stock exchange in different part of the country.

13. 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.

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

15. The government should help SMEs to develop an exclusive marketing network to market the products develop by SME sector which will increase the turnover of SMEs. The government may make it mandatory for the PSUs and various government agencies to purchase their requirements from SMEs only like Government e-Marketplace.

16. 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.

5.3 Conclusion

Small and Medium enterprises are considered as a back bone for overall industrial development of the country. Delhi 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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