

ROLE OF DISTRICT INDUSTRIES CENTRE (DIC) IN FACILITATING MSMEs FOR AVAILING BANK LOANS IN VELLORE DISTRICT

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ABSTRACT

Number of MSMEs in India is increasing at a rapid pace. MSMEs contribute significantly to the generation of employment and GDP of our economy. District Industries Centre (DIC) all over India play a vital role in assisting new entrepreneurs to start enterprise in the MSME sector. Therefore, it is crucial to study the role of DIC in facilitating MSMEs especially in the process of availing bank loans by MSMEs. This paper aims to determine the demographic aspects of the MSMEs and their borrowing practice and to measure the perception of MSMEs on role of DIC's support service in Vellore District. Findings depict that married male graduates are the likely persons to avail bank loans through DIC's support. Chi-square analysis revealed that there is no significant association between gender and type of organization. Respondents are highly satisfied with regard to simple procedural formalities adhered by DIC. Few suggestions are given for enhancing the functioning of DIC based on the findings of this paper.

KEYWORDS: MSME, District Industrial Centre, SSI, DIC

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) in India have been developing significantly since independence. During 1960s and 70s, these are referred to as the Small Scale Industries (SSIs) sector. Later, the MSME sector has evolved as considerable development in the level of scale and in the range of business activities over the years. In the recent years, many sectors are included in the MSMEs sector such as manufacturing, trade and services in India, thereby constituting a crucial component of the country's tremendous economic growth.¹ the industrial Policy 1977 had the concept of District Industries Centres (DICs) which was initiated on 1st May 1978 as a centrally sponsored scheme. The primary objective of DIC is to create plenty of rural employment opportunities. It was intended to become a premier location for granting financial and other facilities to MSMEs, developing close links with development blocks and specialized institutions providing help to start-ups in rural areas, to determine and help new entrepreneurs' activities of DICs. Its major activities include; registration of SSI units, registration of Handicrafts/Cottage industries, implementation of Prime Minister's Rozgar Yojana, granting of subsidies to SSI units, distribution of project profiles among entrepreneurs, training for entrepreneur development programme, organisation of industrial cooperative societies. raw material assistance through SIDCO, allotment of sheds in electrical & electronic industrial estates, marketing assistance through SIDCO, conducting motivation campaigns, clearance of licenses etc. through single window meeting, rehabilitation of sick SSI units,

recommendation of awards to SSI units, recommendation of loan applications to banks under KVIC scheme.²

STATEMENT OF THE PROBLEM

The financial crisis of MSMEs is the fundamental cause for all the other challenges faced by them. Especially micro industries are usually poor and find it difficult to avail timely and cheap loans. They caught into the clutches of indigenous money lenders who charges extremely high rate of interest. The two major reasons for financial problems of MSMEs include inadequate capital in the country as a whole and weak credit worthiness of MSMEs in India. Due to their weak economic base, they find it difficult to take financial assistance from the commercial banks and financial institutions and are, thus, they are exploitative in character.³

OBJECTIVES OF THE STUDY

The main objectives of this research are as follows;

- To determine the demographic aspects of the MSMEs and their borrowing practice.
- To measure the perception of MSMEs on role of DIC's support service in Vellore District.

METHODOLOGY

This research is empirical in nature and involves both primary and secondary data. It is a cross sectional survey. Structured questionnaire with five points likert scale is used to collect the primary data. The sample size is restricted to only 141 MSMEs availing loan through DIC in Vellore District. Convenience sampling technique is used for selecting samples for the study. The secondary data used in this research are extracted from journals, books, articles and concerned web sites.

REVIEW OF LITERATURE

Shanker (2012) has examined the problems of MSMEs and observed that the huge scope exists for the banks for intensive financing of MSMEs. Based on the analysis of primary data, percentage wise responses, the Innovative and dynamic strategies have been suggested for banks.⁴Padmasani,Karthika (2013) has examined the problems of MSMEs in the era of global economy and also has identified the factors affecting MSMEs and further made an analysis on the socio-economic conditions of MSMEs. The survey revealed that the problems can be overcome if MSMEs get involved in standardization of the business process, and can also adopt latest technology to improve the productivity. It was said that banks can support the industry by providing the credit facilities at low interest rate and Government and Institutions relating to SMEs should take effective measures to improve the export performance of MSMEs in order to develop economy.⁵

Naidu and Chand (2011) suggests that financial problems faced by MSEs could be classified into three broad categories. Financing problems, operational problems and administrative problems, sales and debtors problems. The purpose of that study was to determine the various barriers faced by MSMEs in rising finance especially.⁶Shiralashetti (2014) covered growth, performance and contribution of MSMEs to GDP and also mentioned about the problems faced by MSMEs.⁷

DATE ANALYSIS AND FINDINGS

The following table 1 list its profile of the distribution of demographic features among the respondents.

Table 1: Demographic Profile of Respondents

S No	Variables	Particulars	Frequency	%
1	Gender	Male	98	69.50
		Female	43	30.50
2	Age group	Up to 25	62	34.04
		25 to 35	48	43.97
		36 to 45	18	12.77
		Above 45	13	9.22
3	Marital status	Married	101	71.63
		Unmarried	40	28.37
4	Maximum Educational qualification	Up to SSLC	19	13.47
		Hsc. / +2	35	24.82
		UG / PG	52	36.88
		Diploma	35	24.82
5	Type of organisation	Sole proprietor	40	28.37
		Partnership	65	46.09
		Family owned business	24	17.02
		Others	12	8.52
6	Number of employees working	Up to 5 Employees	92	65.25
		From 6 to 10 Employees	35	24.82
		From 11 to 15 Employees	8	5.67
		Above 15 Employees	6	4.26

Table No.1 depicts that the personal profile of the respondents. Among 141 respondents, 69.50% are male respondents. 43.97% of entrepreneurs availing bank loans through DIC belong to the age group from 25 to 35 years. It is observed that 71.63 % of the respondents are married entrepreneurs 36.88 % of the respondents are graduates. It is noted that 46.09 % of the entrepreneurs are doing business in the form of partnership. 65.25 % of the organisations have from one to five employees.

Table 2: Satisfaction Level of MSMEs towards Services Provided by DIC

S. No.	Opinion Variables	HDS	DS	N	S	HS	WA	Rank
1.	Simple procedural formalities adhered by DIC	-	5	13	40	83	4.42	1
2.	Transparency in selection of MSME for assistance by DIC	-	-	20	45	76	4.40	2
3.	Ready to help by DIC for bank loan borrowing	-	7	21	24	89	4.38	3
4.	Aids in preparing project for business ideas	-	10	38	19	74	4.11	5
5.	Helps to get subsidies	-	05	68	37	31	3.66	7
6.	Training organized by DIC helps the business to start	-	10	84	29	18	3.39	8
7.	Registration in DIC helps in getting licence	-	-	42	32	67	4.18	4
8.	Post investment assistance helps to develop the business	-	-	38	62	41	4.02	6

Where HDS – Highly Dissatisfied, DS – Dissatisfied, N – Neutral, S – Satisfied, HS – Highly Satisfied, WA – Weighted Average

The above table reveals the rank of satisfaction level of MSMEs towards services provided by DIC. Among the variables, simple procedural formalities adhered by DIC got 1st rank with a weighted average of 4.42. The 2nd rank with a weighted average of 4.40 is for transparency in selection of MSMEs for assistance by DIC. The next factor ready to help by DIC for bank loan borrowing with a weighted average of 4.38. The Registration in DIC helps in getting loan scored the 4th rank with weighted average of 4.18. The next 5th rank got by Aids in preparing projects for business ideas with weighted average of 4.11. Post investment assistance helps to develop the business ranks 6th with weighted average of 4.02. The 7th rank is with a weighted average of 3.66 for helps to get subsidies. Last 8th rank with a moderate weighted average of 3.39 for training organized by DIC helps the business to start.

CHI-SQUARE TEST

In order to test the association between the gender and the nature of organization, the following hypothesis was framed.

Null Hypothesis: There is no significant association between the gender and nature of organization.

Alternative Hypothesis: There is a significant association between the gender and the nature of organization.

Table 3: Chi-Square Test

Type of Organization	Sole - Proprietors	Partnership	Family Owned Business	Others	Total
Gender					
Male	28	41	21	08	98
Female	12	24	03	04	43
Total	40	65	24	12	141

Degree of freedom (R-1) X (C-1); (2-1) X (4-1); 1X3=3. Level of significant @ 5 % or 0.05.

The table Value for degree of freedom 3 at five per cent level of significance is 7.8. The Calculated value is 4.908. Since the calculated value of chi-square is less than the table value, null hypothesis is accepted and alternative hypothesis is rejected. Hence, there is no significant association between gender and the type of organisation.

SUGGESTIONS

Since the satisfaction level of MSMEs on training program organized by DIC is at the moderate level and got the last rank from among the factors, DIC should focus more on enhancing the quality of training program so as to match the expectations of the entrepreneurs and to help them in initiating the business. DIC also concentrate on supporting loan borrowers to avail subsidies as this factor got the seventh rank in our observation. Because of majority of the beneficiary availing services provided by DIC are males. Suitable approach and service must be designed by DIC for serving female entrepreneurs. Future researchers can further this research in different areas of India.

CONCLUSIONS

Simple procedural formalities adhered by DIC and maintaining transparency in selecting the entrepreneurs are appreciable. Though, tremendous effort has been taken by DIC to train the new entrepreneurs, it is not perceived highly satisfied by the beneficiaries and therefore, it will be better to enhance the quality of training for encouraging fresh graduates to start business concern. Majority of the beneficiaries in DIC is observed to be males, so it is crucial to encourage females to avail the benefits of DIC and to become as entrepreneurs.

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