

Structural Disparities in MSMEs— How to fill the lacuna?

C. Viswanatha Reddy

Abstract

MSME sector has become the backbone of Indian economy by providing large employment with lower capital cost, reducing regional imbalances through rural and backward industrialization, assuring equal distribution of national income and wealth. In the changing global industrial climate, the Government of united Andhra Pradesh, in line with the Central Government Policy, has placed much emphasis for the growth of MSMEs and envisaged special incentives and concessions to this sector. In order to ensure the policy implementation of the Government, the APSFC has continued to enhance its funding to this sector. The present paper analyses the flow of credit in terms of sanctions and disbursements, assistance to MSMEs, the district-wise, region-wise distribution of lending towards MSMEs in terms of number of units, amount sanctioned and disbursed, trend analysis using regression model, ANOVA: Single Factor to highlight the difference between assistance given to MSMEs and others. Lastly, few suggestions were offered for strengthening the position of MSMEs in the newly formed Andhra Pradesh.

Key Words : Micro, Small and Medium Enterprises, Sanctions, Disbursements, Bank Credit;

Lending Obstacles, Economic Growth.

JEL Classification: G21



Dr. C. Viswanatha Reddy
Associate Professor
Sree Vidyanikethan Institute of Management
A.Rangampet – 517 102, Tirupati (A.P)
Ph: 98482 63463
e-mail: vsrits@gmail.com,

The Micro, Small and Medium Enterprises (MSME) sector is an important pillar of Indian economy as it contributes immensely to the growth of Indian economy with a vast network of around 30 million, creating employment for around 7 million, manufacturing more than 8,000 products, contributing about 45% to manufacturing output and about 40% of exports, directly and indirectly. MSMEs are the driving force behind a large number of innovations and they contribute to the inclusive growth. In India MSE sector attracts priority status. Considering the sector's significance, Government of India has been taking several measures to strengthen the MSME eco system (Reddy CV, 2014). MSMEs play an important role in alleviating poverty and contributing significantly towards the growth of developing economies (Agbeibor, 2006). The

Indian Economy underwent a challenging phase during the last few financial years entangled by passive domestic growth and inflationary pressures. Thus, the economic landscape created certain uncertainties and risks in the investment arena. As per the CRISIL Ratings round up report, downgrades continued to outnumber the upgrades during 2013-14 reflecting merciless pressure on credit quality of Corporate India in general. The present sluggish business environment has lowered the revenues and profitability of MSMEs. They have been affected more than large companies and have become highly vulnerable to the business cycles. MSMEs being the most important segment of economy, their underperformance affected the Credit Portfolio of the Financial Institutions /Banks (S. Mittal, 2010). The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India supplements the efforts of the State Governments through various initiatives (L. Sharma, 1998).

Andhra Pradesh (United Andhra Pradesh) was one of the foremost states to have developed sector-specific policies. Natural resources, policy incentives and infrastructure in the state are favourably suited for investments in major sectors such as drugs and pharmaceuticals, biotechnology, IT and ITES, mines and minerals, textiles, leather and tourism. Forming industrial clusters and developing infrastructure have been the state's key strategy to attract investments in various industries (Biswajit Bose, 2013). The Government of Andhra Pradesh (now divided into Andhra Pradesh and Telangana), in line with the Central Government policy, has placed much emphasis for growth of MSME sector and envisaged special incentives and concessions to this sector in the Industrial Promotional Policy 2010-15. In order to meet the financial needs of MSMEs in united Andhra Pradesh, the APSFC came into existence on the 1st of November, 1956 consequent to the issue of notification by the State Government, in pursuance of the SFCs Act, 1951 – a Central Act, governing the formation and functioning of the SFCs in the different states (Himachalam D. et al., 1995). In order to ensure the policy implementation of the Government, the APSFC has continued to enhance its funding to this sector.

Review of Literature:

Micro, small and medium enterprises (MSMEs) play a significant role in job creation, poverty reduction and reducing inequality in both developed and developing

economies. MSMEs create approximately 80% of new jobs; employ about 40% of the labour force and account for more than 63% of the GDP in developing countries (M. Ayyagari, T. et al., 2005). There are over 6,000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs (S. Mittal, 2010 and L. Sharma, 1998). Worldwide, the MSMEs have been accepted as the engine of economic growth and for promoting equitable development (Nyankomo Marwa, 2014). The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of the large enterprises (Manish Roy Tirkey, 2012). The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. SME play an important role in alleviating poverty and contribute significantly towards the growth of developing economies (Agbeibor, 2006). The State Financial Corporation's (SFCs) are playing an important role in the development of small and medium enterprises, in their respective states in tandem with the national priorities. The main objectives of SFC's are to catalyse investment, generate employment and to broaden the ownership base of MSMEs. The financial assistance includes term loan, direct subscription to equity capital. A state financial corporation operates a number of schemes of refinance and equity type assistance on behalf of IDBI and SIDBI. Besides they also have schemes for artisans and special target groups such as SC/ST, women, Ex- service men, physically handicapped etc., in tandem with the changing environment (Bendeiah Ch., et al., 2014). Absence of adequate and timely supply of bank finance, limited capital and knowledge, lack of power, low quality inputs, low return, non availability of suitable technology, low production capacity, ineffective marketing strategies are the main problems of MSMEs in India (N. Mori and E. Richard, 2012). Inadequate credit from banks is the major reasons for finance problems of Micro Enterprises. Reluctance by banks to extend credit to women, inability to provide adequate security and margin money, tight repayment schedule are the main problems being faced by this enterprises (Rao and Ganesh, 2011), (Nishanth P. and Dr Zakkariya K.A., 2014). The major reason for not seeking credit was lack of information about credit and lack of required security (Mishra and Brahme, 2011 and Rajeevan, N. and Sulphrey, M.M. 2012). Andhra Pradesh State Financial

Corporation came into being as a premier Financial Institutions on 1st November, 1956 with the avowed objectives of purveying financial assistance and managerial support to industrial entrepreneurs in Andhra Pradesh (Reddy, C.V., 2013). The revenue of three regions in Andhra Pradesh in 2012-13 reveals that Telangana (inclusive of Hyderabad) has a share of Rs.48,000 crores (69 per cent); Rayalaseema, Rs.5,000 crores (7 per cent); and Andhra, Rs.17,000 crores (24 per cent), while the population shares stand at 42 per cent for Telangana, 18 per cent for Rayalaseema, and 40 per cent for Andhra (G. Gangadhar Rao, 2013). Now, the State bifurcated into two states, viz., Andhra Pradesh and Telangana. This bifurcation of state has posed many challenges to the new governments. Therefore, the policy makers in line with the Central Government policy should place much emphasis and should offer special incentives and concessions to this sector.

Statement of the Problem

Andhra Pradesh (United Andhra Pradesh), the largest state in the southern part of the country, has made rapid strides in the industrial front during the last two decades. Geographically, the State has divided into three regions, viz., Telangana (10 districts), Coastal Andhra (9 districts) and Rayalaseema (4 districts). Out of these Districts, 7 in Telangana, 3 in Andhra and 1 in Rayalaseema are considered as severely backward districts. In terms of per capita income, Telangana (with or without Hyderabad) and Coastal Andhra top the state average, Rayalaseema is a clear laggard.

Telangana contributes 36.43 per cent to the state's agriculture, 43.18 per cent to the industrial output and 30.91 per cent to the services sector. For Coastal Andhra, the numbers read 46.98 per cent, 37.16 per cent and 39.79 percent respectively. The much smaller Rayalaseema contributions are in low double digits at 16.4 per cent, 14.15 per cent and 13.77 per cent respectively (Gangadhar Rao, 2013). An examination of the revenue of regions in the state reveals that Telangana (inclusive of Hyderabad) has a share of 69 per cent, Rayalaseema has 7 per cent, and Coastal Andhra has 24 per cent, while the population shares stand at 42 per cent in Telangana, 18 per cent in Rayalaseema, and 40 per cent in Coastal Andhra. The Government of Andhra Pradesh in line with the policies of the Central Government has created an atmosphere for the growth of MSME Sector and envisaged special incentives and concessions to this sector through its Industrial Promotion Policies. Rich amount of natural resources, infrastructure in the state coupled with policy incentives, the State has become the destination for investments in MSME sector. The number of registered MSMEs has increased from 1,14,140 with fixed investment of Rs.1,639 crores in 1995 to 1,90,895 with fixed investment of Rs.20,909 crores in 2012. The corresponding growth rate (CAGR) in respect of number of units is 3.1%, and for fixed investment is 16.2%. There is high concentration of micro and small units in the food sector, mineral and building materials sector, drugs and pharmaceuticals, fabricated materials, trading and service sector. The Region wise distribution and growth of MSMEs in Andhra Pradesh is presented in the following table No.1.

Table No.1
Region-wise Distribution & Growth of MSMEs in Andhra Pradesh
(Cumulative picture for the year ending March)

Sl. No	Region	No. of Enterprises			Fixed Investment (Rs. Crores)			Employment (No. of Persons)		
		2006	2012	#	2006	2012	#	2006	2012	#
1.	Telangana	69,154	96,219	5.7	2,548.1	12,311.1	30.0	6,23,350	10,71,251	9.4
2.	Coastal Andhra	60,671	73,993	3.4	1,923.4	6,862.2	23.6	5,51,602	7,64,682	5.6
3.	Rayalaseema	16,941	20,683	3.4	491.5	1,736.4	23.4	1,50,951	2,06,355	5.3
Andhra Pradesh		1,46,766	1,90,895	4.5	4,963	20,909.3	27.1	13,25,903	20,42,288	7.5

indicates CAGR (%)

Note: Data presented in the table relate to micro and small enterprises up to 2005-06. From 2006-07, in addition, data regarding the newly registered medium enterprises are also included.

Source: Commissionerate of Industries, Andhra Pradesh, Hyderabad.

The data provided in the above table says that the Telangana region has reaped the benefits of industrialisation in the small and medium enterprise sector, as compared to Coastal Andhra and Rayalaseema regions, which showed lower level of performance, and are below the state averages. The years 2013-14 and 2014-15 just concluded saw the State bifurcated into two, viz., Andhra Pradesh and Telangana. Industrial and Business activity was affected due to prolonged political uncertainty and unrest. The performance of not only the banking sector but also many other sectors was adversely affected and APSFC has no exception to it. The re-organisation process is continuing and posing many challenges to the Corporation and showing impact on the performance of the Corporation towards the promotion of MSMEs in the newly formed state of Andhra Pradesh. Now that the “uncertainty chapter” is closed consequent on bifurcation of the State into Andhra Pradesh and Telangana, there are good prospects for the growth of business in the two States in view of the focused approach by the new Governments. The APSFC is also working out a demerger plan in tune with the A.P. Re-organisation Act. Hence, *there is an urgent need for the region-wise comparative analysis of flow of assistance by APSFC for the promotion of MSMEs in united State, which will enable the policy makers to Understand the real picture and to devise certain concrete policies for the growth and development of this sector in the newly formed Andhra Pradesh.* The present paper is a modest attempt and it focuses on broad areas: (a) the flow of credit in terms of sanctions and disbursements in general, Corporations assistance to MSMEs during the study period; (b) region-wise distribution of APSFCs lending towards the development of MSMEs both in terms of number of units and in terms of amount sanctioned.

Objectives of the Study

The objective comprise

- To analyse flow of assistance in terms of sanctions and disbursements to MSMEs,
- To highlight the sector-wise analysis of Corporations assistance to MSMEs,
- To understand the region-wise dispersal of assistance to MSMEs, and
- To suggest feasible ways and means to the Corporation for the cause of balanced regional development through the development of MSMEs in newly formed Andhra Pradesh.

Research Methodology

Research design

In view of the objectives of the study listed above an exploratory research design has been adopted. Exploratory research is one which largely interprets the already available information and it lays particular emphasis on analysis and interpretation of the existing and available information and it makes use of secondary data.

Sources of data

The study is purely based on secondary data compiled from the annual statistics of APSFC ranging for the past 6 years.

Hypothesis

H₀₁: There is a close association between the gross sanctions and sanctions to MSMEs.

H₀₂: There is no significant difference between gross disbursements and disbursements to MSMEs.

Tools for Data Analysis

The data collected for the study has been analysed logically and meaningfully to arrive at meaningful conclusions. The statistical tools applied for data analysis are simple percentages, mean, variance, standard deviation, correlation test, regression test, t-test and ANOVA-Single Factor.

Scope of the study

The scope of the study is defined below in terms of role of APSFC in promoting MSMEs in united Andhra Pradesh. Firstly, the flow of credit in terms of sanctions and disbursements in general, Corporations assistance to MSMEs during the study period in particular has been covered. Secondly, district-wise, region-wise distribution of APSFCs lending towards the development of MSMEs both in terms of number of units and in terms of amount sanctioned and disbursed has been discussed. Thirdly, to capture the trend precisely the sanctions and disbursements by the Corporation to this sector has been regressed on

time. With a view to analyse whether there is a significant difference between assistance given by the Corporation to Micro, Small, Medium and other enterprises over the years of the study period, ANOVA: single Factor has been performed. Fourthly, the problems of MSMEs in the State were examined. Lastly, few suggestions were offered for strengthening MSMEs in the State in particular and in India in general.

Limitations of the Study

The information used is primarily from historical annual statistics available to the public and the same doesn't indicate the current situation of APSFC. Detailed analysis could not be carried for the research work because of the limited time.

Data Analysis & Interpretation

Flow of Assistance in terms of Sanctions to MSMEs:

The APSFC as premier state level financial institution, as an integral part of the development financing system in the country has gained prominence for playing its role in the achievement of rapid and high quality industrial growth in the state. It offers a package of assistance to the entrepreneurs to enable them to translate their project ideas into reality. It has been continuously doing its best in every possible area of its operations to retain its premier position among the SFCs in the country. Table No.2 and Table No.5 represents the data relating to gross sanctions and disbursements made to MSMEs by the Corporation during the period of 6 years.

Table No.2
APSFC: Flow of Assistance in terms of Sanctions to MSMEs
(Rs. in crores)

Year	Gross Sanctions	Sanctions to							
		Micro Enterprises	% to Total	SSI Sector	% to Total	MSI Sector	% to Total	Others	% to Total
2008-09	885.66	37.73	4.26	414.00	46.74	184.57	20.83	249.37	28.15
2009-10	1052.38	103.24	9.81	610.00	57.96	260.86	24.78	78.28	7.43
2010-11	1386.38	75.81	5.46	634.98	45.80	286.41	20.65	389.18	28.07
2011-12	1368.82	69.71	5.09	791.03	57.78	242.07	17.68	266.01	19.43
2012-13	1430.12	72.85	5.09	782.81	54.73	168.73	11.79	405.73	28.37
2013-14	1315.34	74.98	5.70	882.58	67.09	230.76	17.54	127.01	9.65
Mean Percentage	1239.78	72.38	5.90	685.90	55.01	228.90	18.87	252.60	20.18

Source: Compiled from the Annual Statistics of APSFC (2008-09 to 2013-14)

The mean sanctions by the Corporation over the study period are Rs.1239.78 crores. During the study period, the mean sanctions to micro enterprises are Rs.72.38 crores, which accounts for 5.90 per cent, mean sanctions to SSI sector are Rs.685.90 crores, which accounts for 55.01 per cent, mean sanctions to MSI sector are Rs.228.90 crores,

which accounts for 18.87 per cent and mean sanctions to other than MSMEs are Rs.252.60 crores, which accounts for 20.18 per cent. Therefore, it may be concluded that the APSFC has been given top priority to small-scale sector followed by medium scale enterprises, micro enterprises.

Table No.3
Correlation Analysis

Variables		Micro Enterprises	SSI Sector	MSI Sector	Others
Micro Enterprises	Pearson Correlation	1.00			
	Sig.(2-tailed)				
	N	6			
SSI Sector	Pearson Correlation	0.409*	1.00		
	Sig.(2-tailed)	0.421			
	N	6	6		
MSI Sector	Pearson Correlation	0.567*	0.069*	1.00	
	Sig.(2-tailed)	0.120	0.448		
	N	6	6	6	
Others	Pearson Correlation	-0.367*	-0.012*	-0.229*	1.00
	Sig.(2-tailed)	0.237	0.491	0.331	
	N	6	6	6	6

*.Correlation is insignificant at 0.05 level (2-tailed)

Source: Calculated using SPSS Statistics 21.

It may be inferred from the above correlation matrix that high correlation exists between 'micro enterprises' and 'medium size enterprises' at 0.567, which is insignificant at 95% confidence interval. The correlation of 'other than

MSMEs sector' with Micro, Small and Medium sectors exists at -0.367, -0.012, -0.229 respectively indicating an unhealthy relation between MSME and non MSME sector.

Table No.4
Regression Test

Between Gross Sanctions & Sanctions to Micro Enterprises:				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.303 ^a	0.092	-0.135	22.24382
a. Predictors: (Constant), Gross Sanctions				
b. Dependent Variable: Sanctions to Micro Enterprises				
Between Gross Sanctions & Sanctions to Small scale Enterprises:				
1	.813 ^a	.661	.576	109.54213
a. Predictors: (Constant), Gross Sanctions				
b. Dependent Variable: Sanctions to Small -Scale Enterprises				
Between Gross Sanctions & Sanctions to Medium scale Enterprises:				
1	.173 ^a	.030	-.213	49.47000
a. Predictors: (Constant), Gross Sanctions				
b. Dependent Variable: Sanctions to Medium -Scale Enterprises				
Between Gross Sanctions & Sanctions to Other than MSMEs:				
1	.516 ^a	.266	.082	127.41288
a. Predictors: (Constant), Gross Sanctions				
b. Dependent Variable: Sanctions to other than MSMEs (Others)				

Source: Calculated using SPSS Statistics 21.

In the first set of comparison, the correlation coefficient between the variables is 0.303, which is insignificant and the regression value is 0.092 showing an impact of 9.2 per cent on the dependent factor. In the second set of comparison, the correlation between the variables is 0.813, which is significant and the regression value is 0.661 showing an impact of 66.1 per cent on the dependent factor. While

the correlation between the variables in third set of comparison is 0.173, which is insignificant and the regression value is 0.030 showing an impact of 3 per cent on dependent factor. Fourthly, the correlation between the variables in comparison is 0.516 and the regression value is 0.266 showing an impact of 26.6 percent on dependent factor.

Table No.5
APSFC: Flow of Assistance in terms of Disbursements to MSMEs:

(Rs. in crores)

Year	Gross Disbursements	Disbursements to							
		Micro Enterprises	% to Total	SSI Sector	% to Total	MSI Sector	% to Total	Others	% to Total
2008-09	685.69	29.81	4.34	272.97	39.80	121.74	17.75	261.18	38.09
2009-10	707.98	80.75	11.40	377.76	53.35	176.83	24.97	71.84	10.14
2010-11	904.35	67.91	7.50	174.11	19.25	149.04	16.48	313.58	34.67
2011-12	936.90	56.41	6.02	499.14	53.27	153.63	16.39	227.71	24.30
2012-13	951.41	61.32	6.44	484.10	50.88	104.64	10.99	301.35	31.67
2013-14	882.76	65.46	7.41	632.95	71.70	127.51	14.44	56.84	6.43
Mean Percentage	844.84	60.27	7.19	406.83	48.04	138.89	16.84	205.41	24.22

Source: Compiled from the Annual Statistics of APSFC (2008-09 to 2013-14)

The mean disbursements by the Corporation over the study period are Rs.844.84 crores. The analysis of the mean disbursements of the Corporation during the study period reveals that the SSI sector ranked first with an amount of Rs.406.83 crores, which accounts for 48.04 per cent, followed

by MSI sector with Rs.138.89 crores, which accounts for 16.84 per cent, micro enterprises with Rs.60.27 crores, which accounts for 7.19 per cent, and other than MSMEs with Rs.205.41 crores, which accounts for 24.22 per cent.

Table No.6
Correlation Analysis

Variables		Micro Enterprises	SSI Sector	MSI Sector	Others
Micro Enterprises	Pearson Correlation	1.00			
	Sig.(2-tailed)				
SSI Sector	Pearson Correlation	0.184*	1.00		
	Sig.(2-tailed)	0.728			
MSI Sector	Pearson Correlation	0.556*	-0.233*	1.00	
	Sig.(2-tailed)	0.252	0.657		
Others	Pearson Correlation	-0.452*	-0.560*	-0.421*	1.00
	Sig.(2-tailed)	0.368	0.248	0.406	
		N	N	N	N
		6	6	6	6

*.Correlation is insignificant at 0.05 level (2-tailed)

Source: Calculated using SPSS Statistics 21.

It may be inferred from the above correlation matrix that high correlation exists between 'micro enterprises' and 'medium size enterprises' at 0.556, which is insignificant at 95% confidence interval. The correlation of 'other than

MSMEs sector' with Micro, Small and Medium sectors exists at -0.452, -0.560, -0.421 respectively indicating an unhealthy relation between MSME and non MSME sector.

Table No.7
Regression Test

<i>Between Gross Disbursements & Disbursements to Micro Enterprises:</i>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.246 ^a	.060	-.175	18.44717
a. Predictors: (Constant), Gross Disbursements				
b. Dependent Variable: Disbursements to Micro Enterprises				
<i>Between Gross Disbursements & Disbursements to Small scale Enterprises:</i>				
1	.376 ^a	.141	-.073	172.44162
a. Predictors: (Constant), Gross Disbursements				
b. Dependent Variable: Disbursements to Small-Scale Enterprises				
<i>Between Gross Disbursements & Disbursements to Medium scale Enterprises:</i>				
1	.301 ^a	.091	-.136	27.61959
a. Predictors: (Constant), Gross Disbursements				
b. Dependent Variable: Disbursements to Medium -Scale Enterprises				
<i>Between Gross Disbursements & Disbursements to Other than MSMEs:</i>				
1	.338 ^a	.114	-.108	119.46309
a. Predictors: (Constant), Gross Disbursements				
b. Dependent Variable: Disbursements to other than MSMEs (Others)				

Source: Calculated using SPSS Statistics 21.

In the first set of comparison, the correlation coefficient between the variables is 0.246, which is insignificant and the regression value is 0.060 showing an impact of 6.0 per cent on the dependent factor. In the second set of comparison, the correlation between the variables is 0.376, which is insignificant and the regression value is 0.141 showing an impact of 14.1 per cent on the dependent factor. While the correlation between the variables in third set of comparison is 0.301, which is insignificant and the regression value is 0.091 showing an impact of 9.1 per cent on dependent factor. Fourthly, the correlation between the variables in comparison is 0.338 and the regression value is 0.114 showing an impact of 11.4 percent on dependent factor.

Sector-wise analysis of Assistance to MSMEs

The MSME sector has been the thrust area of the Corporation, which is evidenced in the significant amount of sanctions and disbursements channeled to this sector. Table No.8 gives the proportions of MSMEs in the sanctions made by the APSFC from 2004-05 to 2013-14. The proportions show frequent fluctuations during the period. Therefore, no comment is possible on the changes in the relative proportions of these sectors. At best we can say that the percentage of share of sanctions going to small-scale sector has been consistently greater than that of the medium-scale industries.

Table No.8**APSFEC: Share of MSMEs and other Units in relation to total Units Assisted (Effective)**

Year	No. of MSME Units	Percentages to total	Other then MSME Units	Percentages to total	Total
2004-05	713	64.93	385	35.06	1098
2005-06	640	61.36	403	38.63	1043
2006-07	657	58.81	460	41.18	1117
2007-08	636	56.13	497	43.86	1133
2008-09	615	53.47	535	46.52	1150
2009-10	578	51.79	538	48.20	1116
2010-11	1098	82.61	231	17.38	1329
2011-12	1184	95.48	56	4.51	1240
2012-13	1303	94.83	71	5.17	1374
2013-14	1038	93.68	70	6.32	1108
Mean percentage	846.2	71.30	324.6	28.683	1170.8

Source: Compiled from the Annual Statistics of APSFC (2004-05 to 2013-14)

The percentage of share of MSMEs in relation to total number of units assisted by the Corporation over the study period has declined from 64.93 per cent in 2004-05 to 51.79 per cent in 2009-10 and again increased to 93.68 per cent in 2013-14. The mean percentage of MSMEs in relation to the total number of units sanctioned was recorded at 71.30 per cent. The percentage of other than MSMEs in relation to total number of units assisted by the Corporation over the

study period has increased from 35.06 per cent in 2004-05 to 48.20 per cent in 2009-10 and again decreased to 6.32 per cent in 2013-14. The mean percentage of other than MSMEs in relation to the total number of units sanctioned was recorded at 28.68 per cent. The best fitted model for percentage of MSMEs in relation to total units assisted by the Corporation over the study period is:

Table No.9
Regression Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.766 ^a	0.587	0.535	188.52772
a. Predictors: (Constant), Time Period				
b. Dependent Variable: MSME Units				
1	0.734 ^a	0.539	0.481	143.62171
a. Predictors: (Constant), Time Period				
b. Dependent Variable: Other than MSME Units				

Source: Calculated using SPSS Statistics 21.

In the first set of comparison, the correlation coefficient between the variables is 0.766, which is significant and the regression value is 0.587 showing an impact of 58.7 per cent on the dependent factor. While the correlation between the variables in second set of comparison is 0.734, which is significant and the regression value is 0.481 showing an impact of 48.1 per cent on dependent factor.

Assistance sanctioned and disbursed to MSMEs

MSMEs play a vital role in generating employment, dispersal of industries to semi-urban and rural areas, promoting entrepreneurship, narrowing economic imbalances, effective utilization of locally available resources. Keeping in view of the above advantages, the SFC's Act laid emphasis on the

SFCs to cater to the financial needs of MSMEs. Therefore, the promotion of MSMEs has directly resulted in equitable distribution of national income, wealth and economic opportunities and equitable distribution of economic power.

Therefore, a significant amount of sanctions and disbursements channelled to this sector. Table No.10 gives the data relating to the sanctions and disbursements made to MSMEs over the study period.

Table No.10

APSFC: Share of MSMEs and others in relation to total Sanctions & Disbursements (Effective)

(Rs. in crores)

Year	Amount Sanctioned			Amount Disbursed		
	Total	To MSME Sector	Per cent	Total	To MSME Sector	Per cent
2004-05	464.69	240.04	51.65	348.87	190.02	54.46
2005-06	585.96	250.71	42.78	421.72	209.87	49.76
2006-07	704.75	298.30	42.32	523.13	239.68	45.81
2007-08	1006.65	323.49	32.13	662.69	273.25	41.23
2008-09	885.66	348.69	39.37	685.69	305.02	44.48
2009-10	1052.38	437.73	41.59	707.98	330.29	46.65
2010-11	1386.38	783.90	56.54	904.35	513.42	56.77
2011-12	1368.82	966.02	70.57	936.90	680.03	72.58
2012-13	1430.12	975.07	68.18	951.41	711.83	74.81
2013-14	1315.34	883.52	67.17	882.76	692.77	78.47
Mean	1081.78	585.27		741.84	439.5733	
Stand. Deviation	104.35	103.13		190.10	209.74	
Range	844.16	724.36		529.69	501.96	
Cor. Co-efficient	0.91			0.91		
t- Statistics	3.38			3.20		
Deg. of freedom	16			16		
t- Crit. value (2-tail)	2.11			2.11		

Source: Compiled from the Annual Statistics of APSFC (2004-05 to 2013-14)

The above table shows the amounts of sanctions and disbursements made by the Corporation have consistently increased during the study period. The amount of sanctions to MSMEs increased from Rs.240.04 crores in 2004-05 to Rs.883.52 crores in 2013-14. The amount of disbursements to the small-scale sector has increased from Rs.190.02 crores in 2004-05 to Rs.711.83 crores in 2013-14.

In order to know whether there is a significant difference between gross sanctions and sanctions to MSMEs and gross disbursements and disbursements to MSMEs by the Corporation, ANOVA: Single Factor has been performed. The null hypothesis which is kept in view and also the results of the F-test are briefly discussed hereunder.

ANOVA: Single Factor						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1101344	1	1101344	9.912659	0.005557	4.413873
Within Groups	1999886	18	111104.8			
Total	3101230	19				

Source: Calculated using MS-Excel.

At 95% confidence level, the critical value of F for $v_1=1$ and $v_2=18$, $F_{0.05}$, is 4.41. The calculated value of F for columns is 9.91, which is greater than the critical value and falls in

rejection region. Hence, the null hypothesis (H_{01}) is rejected. The results indicate that there is a significant difference between the gross sanctions and sanctions to MSMEs.

ANOVA: Single Factor						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	414524.2	1	414524.2	8.924252	0.0079	4.413873
Within Groups	836085.3	18	46449.18			
Total	1250609	19				

Source: Calculated using MS-Excel.

At 95% confidence level, the critical value of F for $v_1=1$ and $v_2=16$, $F_{0.05}$, is 4.41. The calculated value of F for columns is 8.92, which is greater than the critical value and falls in the rejection region. Hence, the null hypothesis (H_{02}) is rejected. The results indicate that there is a significant difference between gross disbursements and disbursements to MSMEs.

Analysis of Regional Dispersal of Assistance

The object of the analysis of region wise distribution of MSMEs assisted by the Corporation is to bring out the inter-region variations in assistance, if any, so as to gauge the performance of the Corporation in the dispersal of MSMEs among the regions in the state. Table No.11 and Table No.12 depicts the trends in region wise distribution of assistance to MSMEs by the Corporation during the study period.

Table No.11
APSFC: Region-wise distribution of MSMEs assisted

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average	% to Total
Coastal Andhra:								
MSMEs	158	128	241	362	445	331	278	22.75
Other Units	209	159	102	26	23	26	91	7.44
Total	367	287	343	388	468	357	369	30.20
Rayalaseema:								
MSMEs	165	320	293	265	313	256	269	22.03
Other Units	57	90	17	8	9	15	39	2.67
Total	222	410	310	273	322	271	308	24.70
Telangana:								
MSMEs	352	286	564	576	545	451	462	37.91
Other Units	209	237	112	24	38	29	108	8.86
Total	561	523	676	579	584	480	570	46.50
Total of A.P.:								
MSMEs	615	578	1098	1184	1303	1038	969	79.48
Other Units	535	538	231	56	71	70	250	20.51
Total	1150	1116	1329	1240	1374	1108	1219	100.00

Source: Compiled from the Annual Statistics of APSFC (2008-09 to 2013-14)

The analysis of the performance in the three regions of the state during the study period reveals that the Telangana Region received a larger share of assistance than the other two regions, Coastal Andhra and Rayalaseema regions. It therefore, emerges that neither Coastal Andhra nor

Rayalaseema regions have been given the bulk number of MSMEs sanctioned by the Corporation. The APSFC sanctioned only 22.75 per cent of MSMEs on an average to Coastal Andhra, 22.03 per cent to Rayalaseema region and 37.91 per cent to Telangana region.

Table No.12
APSFC: Region-wise distribution of assistance to MSMEs

(Rs. in crores)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average	% to Total
Coastal Andhra:								
MSMEs	70.83	115.23	126.15	255.61	305.61	254.75	188.03	16.69
Other Units	107.23	159.34	164.19	114.73	127.01	102.12	129.10	11.46
Total	178.06	274.57	325.15	370.35	432.63	356.87	322.93	28.66
Rayalaseema:								
MSMEs	78.03	72.19	121.28	172.16	154.27	118.56	119.41	10.60
Other Units	36.57	76.03	20.81	62.92	45.45	101.12	57.15	5.07
Total	114.60	148.22	142.09	235.08	199.72	219.68	176.56	15.67
Telangana:								
MSMEs	211.84	244.45	501.66	527.55	515.18	510.21	418.48	37.15
Other Units	227.81	258.05	236.36	176.33	167.86	164.12	205.08	18.20
Total	461.70	502.50	738.02	695.65	666.50	674.33	623.11	55.31
Total of A.P.:								
MSMEs	348.70	437.73	783.90	966.02	975.07	883.52	732.49	65.02
Other Units	405.67	509.99	421.36	335.06	323.78	367.96	393.97	34.97
Total	754.36	947.72	1205.26	1301.08	1298.85	1251.48	1126.45	100

Source: Compiled from the Annual Statistics of APSFC (2008-09 to 2013-14)

The analysis of the assistance sanctioned to MSMEs in three regions during the study period reveals that the Telangana Region received a larger share of assistance, followed by Coastal Andhra and Rayalaseema regions. It therefore, emerges that neither Coastal Andhra nor Rayalaseema regions have been given the bulk number of MSMEs sanctioned by the Corporation. The APSFC sanctioned only 16.69 per cent of its assistance to MSMEs on an average to Coastal Andhra, 10.60 per cent to Rayalaseema region and 37.15 per cent to Telangana region.

Suggestions to fill the Lacuna in bifurcated Andhra Pradesh:

1. The industrially backward districts of the state need special consideration from the Corporation while financing the MSMEs in them so as to promote balanced regional development in the

State. Therefore, the Corporation should step up its assistance for MSMEs in rural areas, (concept of rural industrialization), possibly by encouraging industrial co-operatives to come forward to start the rural and cottage industries in rural areas of the state.

2. In order to avoid heavy concentration of MSMEs in few districts (i.e., in capital region), the Corporation should decentralize its activities. Loans must be sanctioned in such a way that the maximum number of entrepreneurs must be benefited.
3. Multiple holdings by one entrepreneur with the help of assistance from the Corporation should be avoided. For this purpose, the Corporation should maintain a record of individuals who have interest in more than one assisted units.

4. It is essential to co-ordinate the activities of the Corporation with those of the DICs, supplementing the roles of each other in the dispersal of MSMEs among two regions to achieve the balanced regional development.
5. With a view to encouraging and promoting prospective entrepreneurs, EDPs have to be organized in rural as well as in the most backward districts of the state to tap local talent. It would help to realize the objective of encouraging entrepreneurs from the weaker sections. For fostering speedy growth of MSMEs in the State, some innovative strategies, viz., cluster development, export potential, and promoting complementary between small, and medium and large units should be implemented.
6. During the study period, heavy concentration of MSMEs in Telangana region has been observed and it almost neglected the Rayalaseema Region. Now, the united state has bifurcated into the Andhra Pradesh and Telangana and this most neglected region, i.e., Rayalaseema is now in Andhra Pradesh. Instead of repeating the same scenario and showing the disparity between regions, the Corporation should give equal priority to all the districts in Rayalaseema and Coastal Andhra regions.
7. The Corporation is also advised to spread its wings with more and more liberal concessions in Rayalaseema Region to establish MSMEs (because the entire Rayalaseema has declared as backward region). This would result in reducing imbalanced regional development.
8. Generally people do hesitate to invest their capital in backward areas owing to the risks involved, the Corporation should come forward to participate in equity financing there. The Corporation should also provide as much as possible technical help to MSMEs established there.
9. There should be high focus on emerging and high value added product lines to create wealth. A few emerging areas indicated for the State are: drugs, pharmaceuticals, information technology (IT and IT enabled services and BPO), bio-technology, nanotechnology, leather, textiles, garments, electronic hardware and telecommunication equipment, agro and food processing, and mineral-based product lines, gems and jewellery, apparel parks, etc.
10. Cluster approach would result in greater degree of dispersal of industries in smaller towns, apart from growth centres which are reasonably developed in earlier years. A few product lines in this category for cluster approach in the State are: cashew processing, mango jelly, fruit canning, biscuits and confectionery, marine foods, brass metal works, cast brass hardware, aluminium utensils, steel furniture, automobile industry, agricultural implements, ceiling fans, distribution transformers, wooden toys, steel rolling mills, wooden furniture, etc.
11. To overcome the key challenges of MSME sector in future, there is a greater need for sector-specific policies and interventions. Innovation, research and development, quality assurance, aggressive marketing strategies, and export-led growth in labour intensive product lines, must be looked into.

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