

CHAPTER 4

PROFILE OF SAMPLE MSMEs

4.1 PROFILE OF SAMPLE MSMEs

For primary research 750 MSME units were presented with a questionnaire asking for demographic, financial and borrowing information. Out of total sample, 325 units were selected using random sampling and the rest of the sample using snowball and convenience sampling. As mentioned in the previous chapter, half are registered units and half are not registered with DIC. The samples being randomly selected, it is important to provide a report on the demographic, financial and other profile of borrowers so as to furnish a panoramic view of the population. A brief representation of demographic profiles (of MSME owners) and financial profiles (of units) of surveyed MSME units classified as registered and unregistered units is presented in this chapter.

4.1.1 Demographic Profile

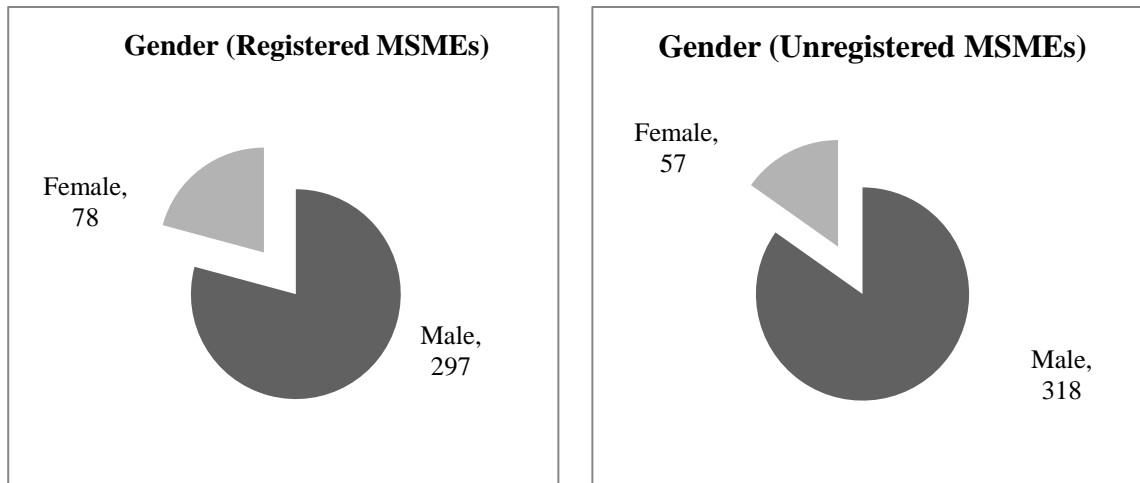


Figure 4.1: Gender of owner

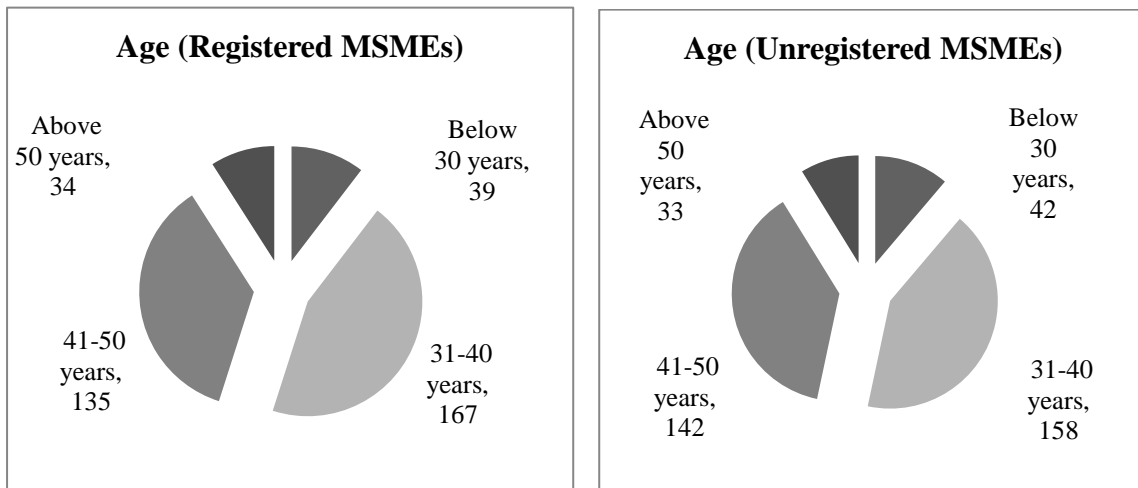


Figure 4.2: Age of owner

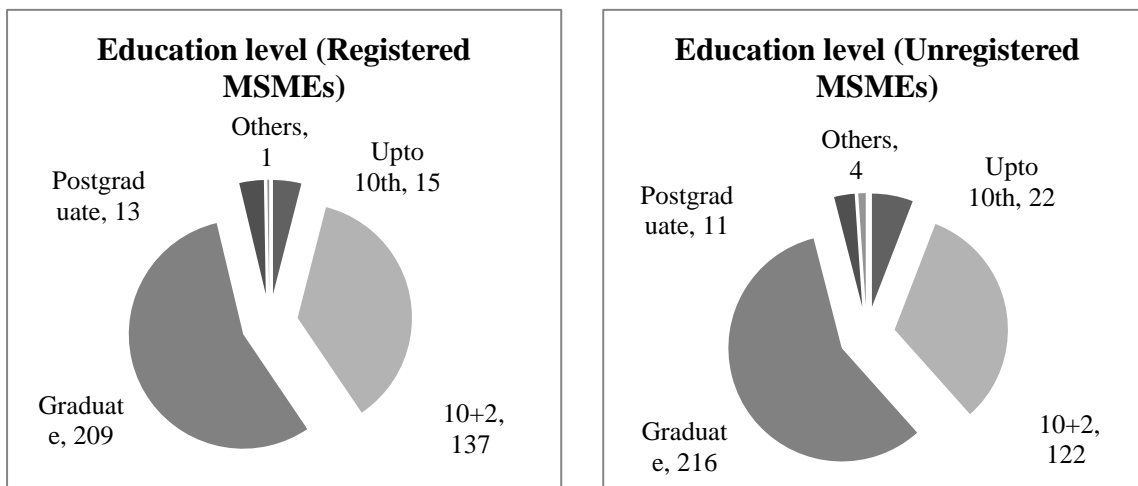


Figure 4.3 Education Level of Owner

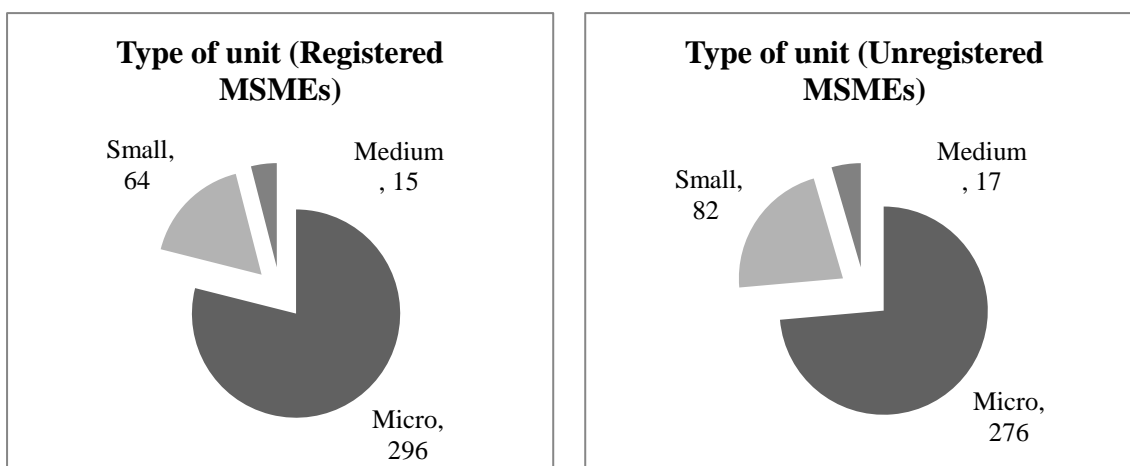


Figure 4.4 Type of unit⁶

⁶ Type of unit has been classified based on old definition of MSME which was in force till June 30th, 2020.

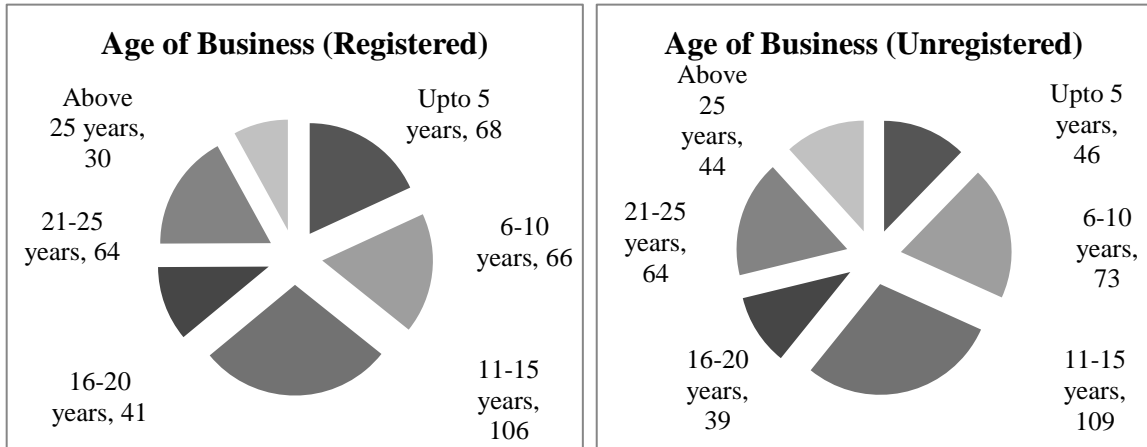


Figure 4.5 Age of unit

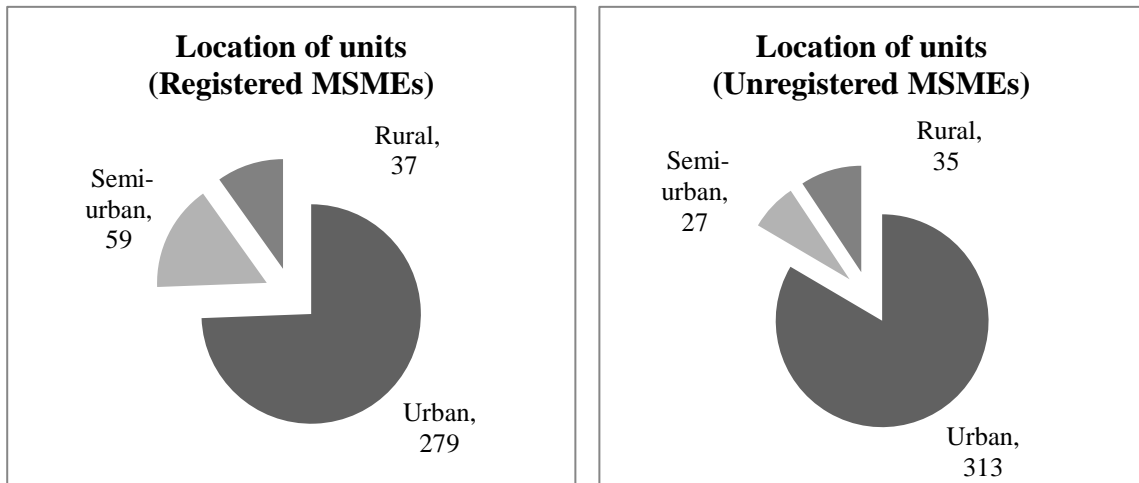


Figure 4.6 Location of unit

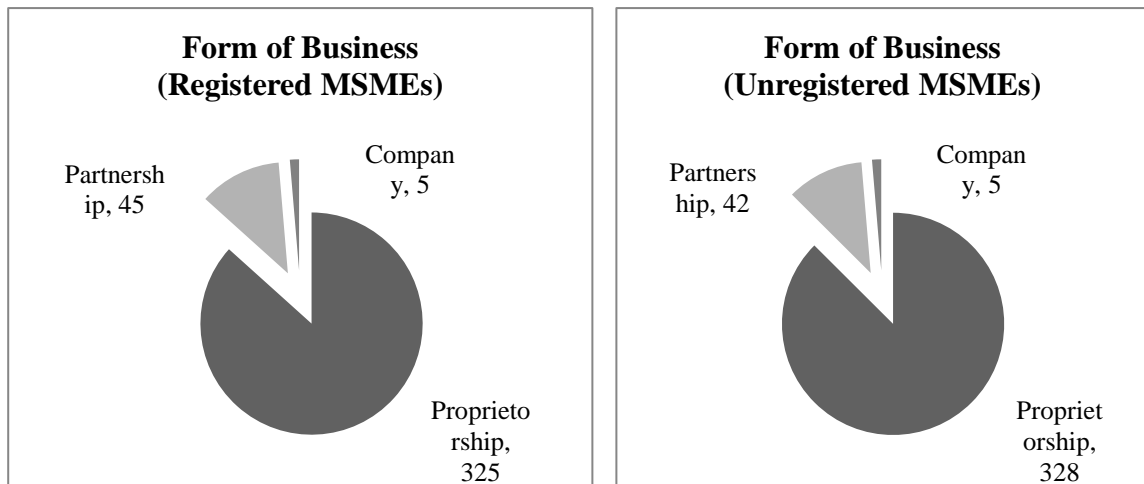


Figure 4.7 Form of business

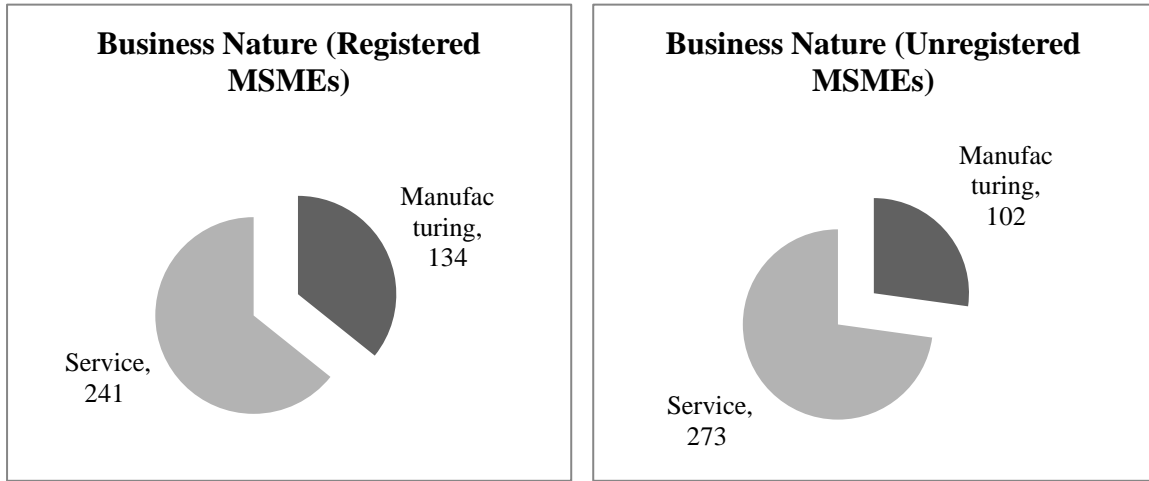


Figure 4.8 Nature of business

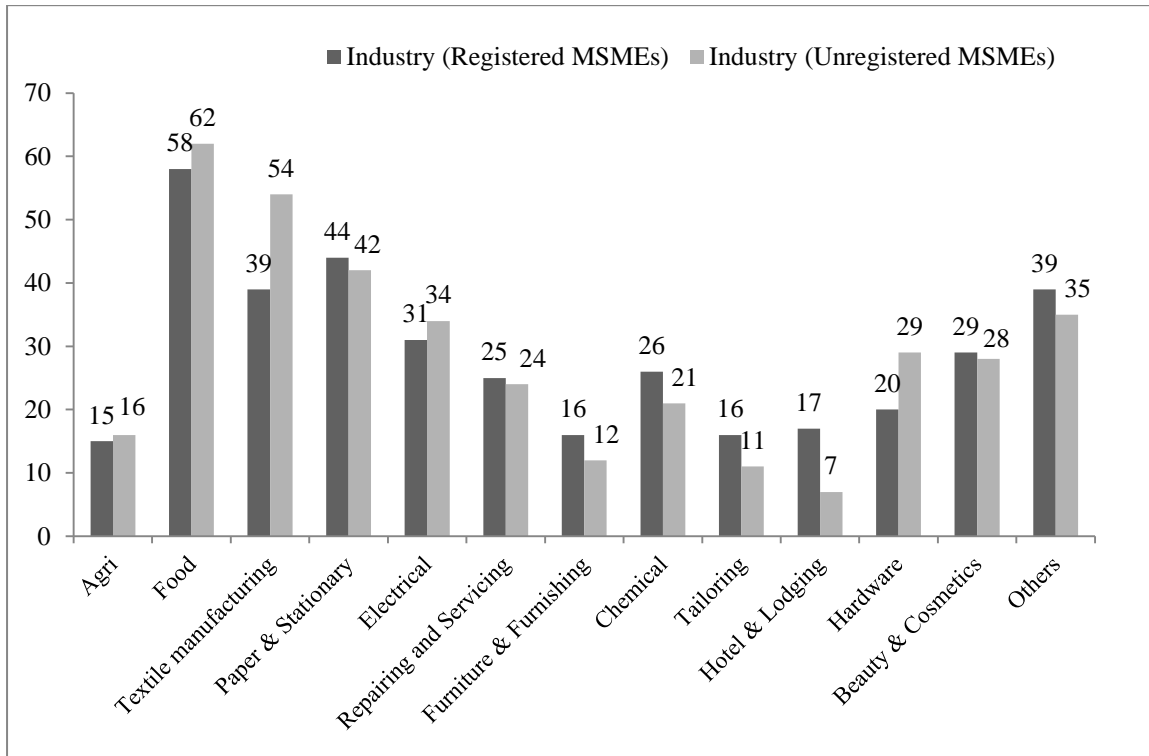


Figure 4.9 Business / Industry

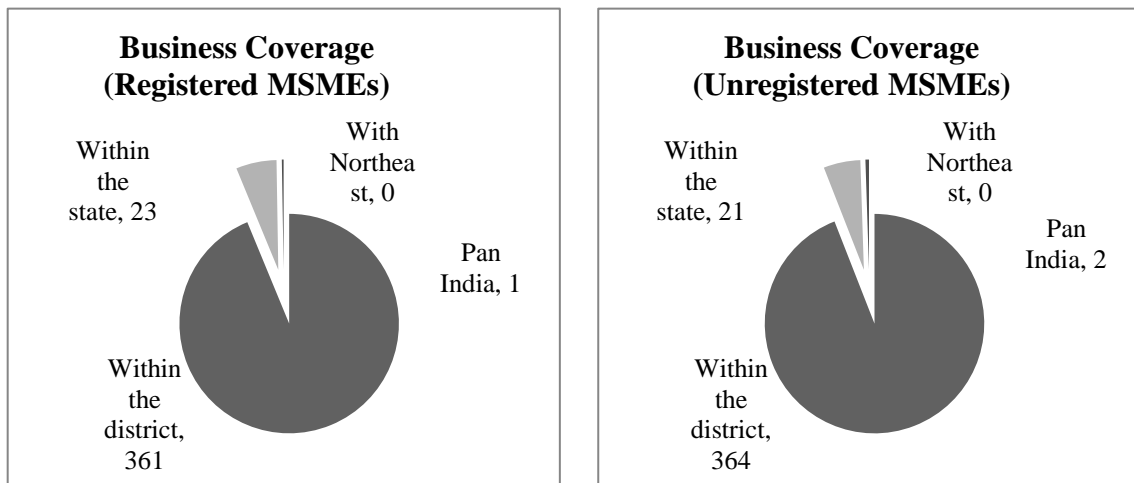


Figure 4.10 Geographical scope of the business

The demographic profile of the selected 750 respondents, of which 375 are registered under DIC and 375 are not registered, presents a variegated picture.

- The male to female ratio is quite skewed with female being only 15-20% of the total population for both registered and unregistered MSMEs.
- The majority of the MSME owners were in the age group of '31-40 years' (45% for registered MSMEs and 42% for unregistered MSMEs), followed by '41-50 years' (36% for registered MSMEs and 38% for unregistered MSMEs) and 10-11% being '30 years or lesser' and 9% were 'more than 50 years' in both cases.
- Graduates occupied 56-58% of the sample for both registered and unregistered MSMEs, followed by 10+2 (32-37%), up to 10th educated comprised 4-6% and postgraduates were 3% and only a few with other degrees.
- From the total sample, 74-79% of both registered and unregistered MSMEs were micro units, 17-22% were small and only 4% were medium units for both registered and unregistered MSMEs. 28-29% of both registered and unregistered MSMEs were '11-15 years' old, 17-19% of the MSME units were '6-10 years' old, 17% were '20-25 years' old, 10% were '16-20 years' old, 8-11% were 'more than 25 years' old, 18% of registered MSMEs were 'less than 5 years' old whereas only 12.2% of unregistered MSMEs were 'less than 5 years' old. Out of the total population, 74% of registered MSMEs and 84% of unregistered MSMEs were located in urban area, 16% of registered MSMEs and 7% of unregistered MSMEs in semi-urban area and 9-10% of both types of MSMEs in rural area.

- The organisational structures of MSME units were as follows, 87-88% were in proprietorship, 11-12% were in partnership form and only 1% were in company form for both registered and unregistered MSMEs. 73% of unregistered MSMEs and 64% of registered MSMEs were in service industry, and 36% of registered MSMEs and 27% of unregistered MSMEs were in manufacturing business from the total population.
- The MSMEs included for the study engaged in a wide range of activities where majority were engaged in ‘food and beverage’ (15-16%). This was followed by ‘textile manufacturing’ (10-14%), ‘paper and stationary’ (11%), category ‘others’ (includes activities such as steel, printing, tent house, photography, livestock, etc.) comprised 9-10% of the MSMEs, ‘electrical’ (8-9%), ‘beauty & cosmetics’ (7%), ‘hardware’ (5-7%), ‘repairing and servicing’ (6%), ‘chemical’ (5-6%), ‘agro-based’ (4%), ‘furniture and furnishing’ (3-4%), ‘tailoring’ (2-4%), and ‘hotel and lodging’ (1-4%). The distribution of industry between registered and unregistered MSMEs is very similar, an outcome probably due to snowball sampling technique for data collection of unregistered.
- Majority of both registered and unregistered MSMEs’ scope of business were within the district at 94% while the rest extended within the state of Assam (5-6%) and only a few to other states.

4.1.2 Financial Profile

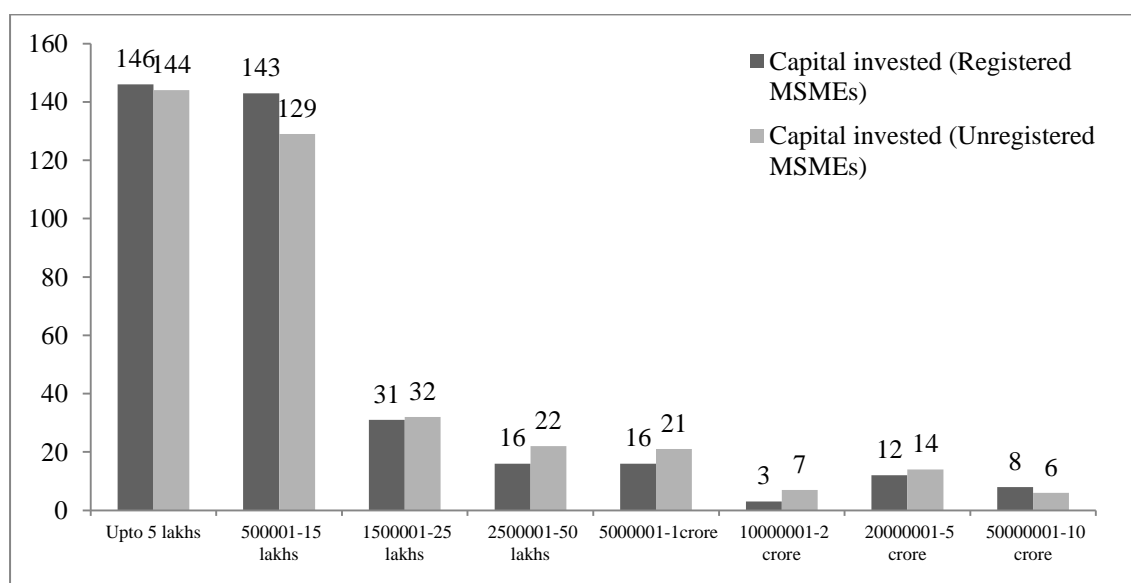


Figure 4.11 Capital invested (in ₹)

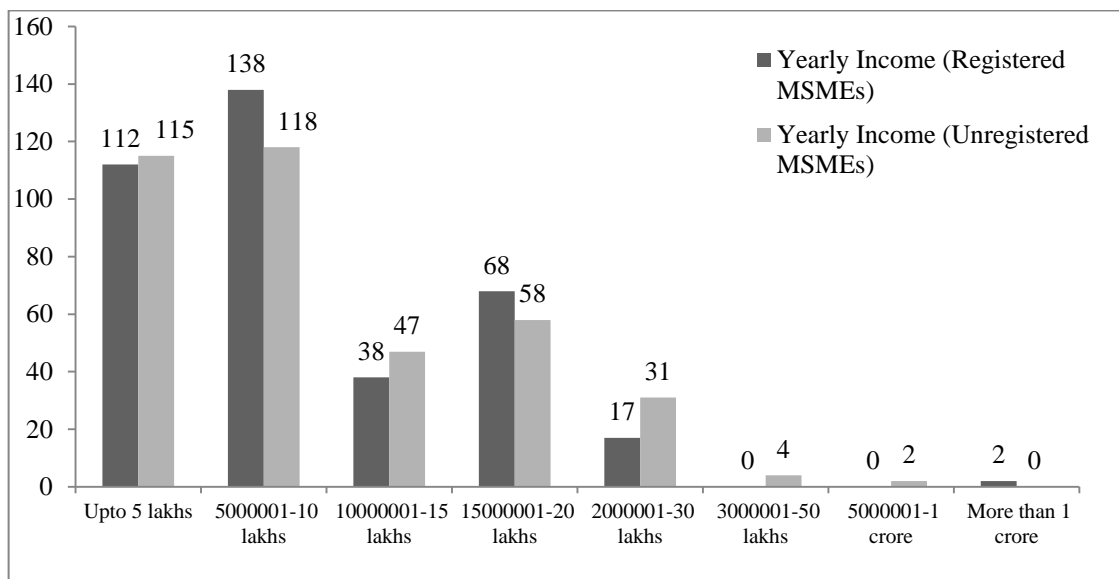


Figure 4.12 Yearly Income (in ₹)

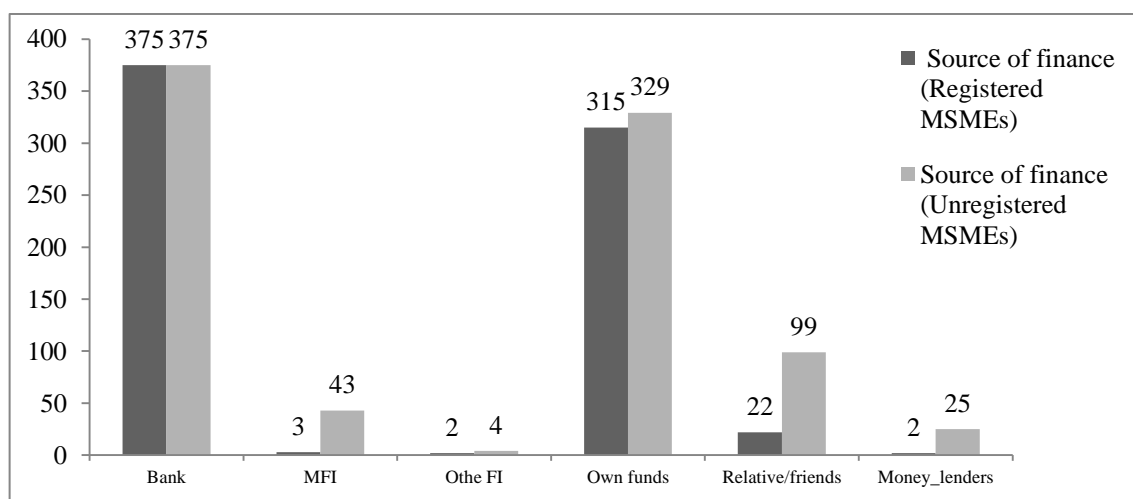


Figure 4.13 Source of finance

The trends of investment in capital, for registered and unregistered MSMEs also show similar traits. With reference to size of the MSMEs, majority of the units (approximately 70% or more in both cases) had invested up to ₹15 lakhs followed by approximately 8% which have invested up to ₹25 lakhs. The rest 10-12% made investments up to maximum of ₹10 crores. In consideration with the yearly income, majority i.e. 60-66% in both cases earned up to ₹10 lakhs annually while 10-20% earned between ₹10 lakhs to ₹20 lakhs annually. In addition to bank loans, the MSMEs resorted to alternate funding as follows, own funds (84-87%). In case of unregistered MSMEs, 27% sourced funds also from relatives and friends and 7% from moneylenders. However, only 6% of registered MSMEs approached friends/relatives for funds and 0.5% to moneylenders.

4.1.3 Borrowing Particulars

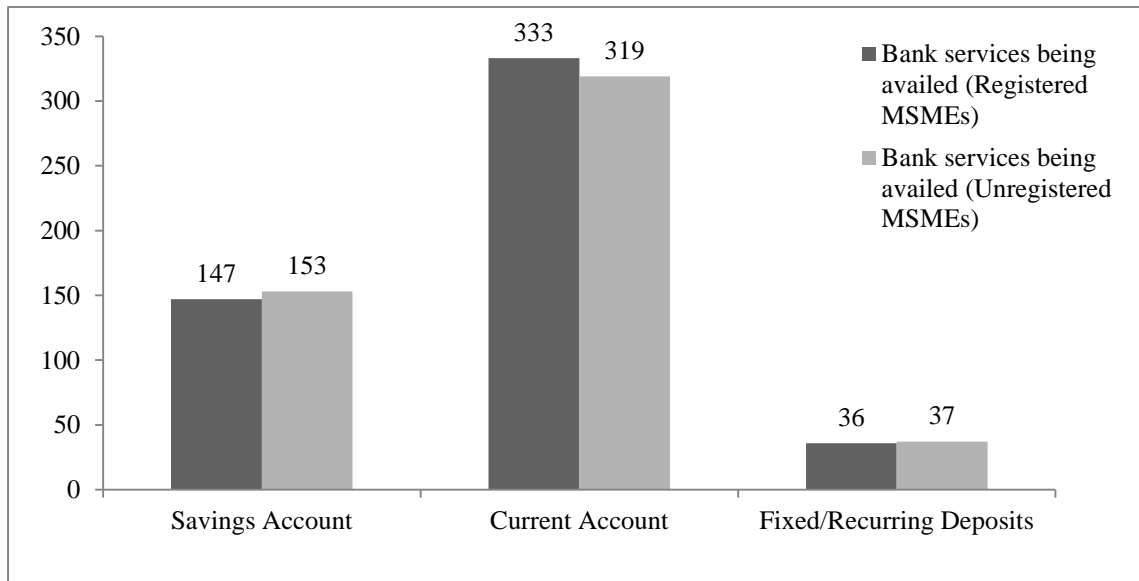


Figure 4.14 Bank services being availed (other than loan related)

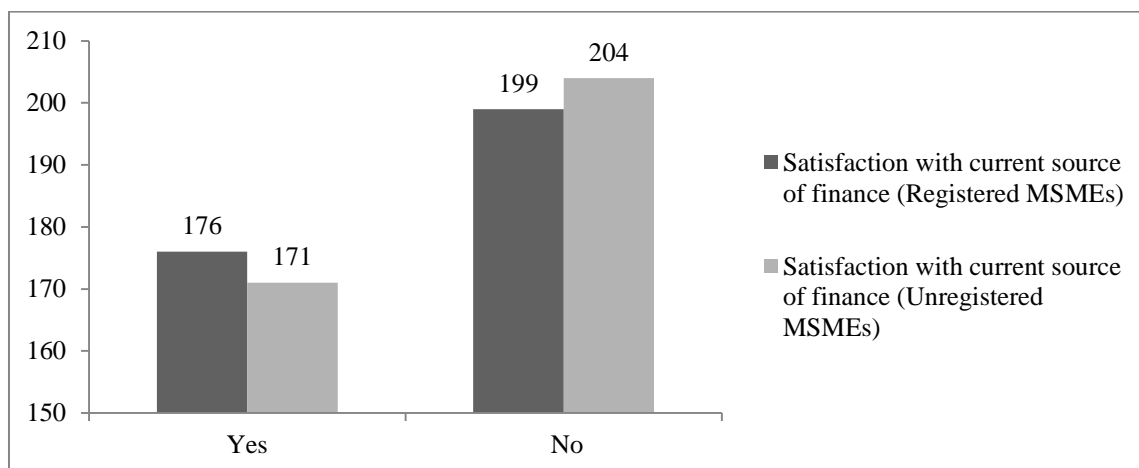


Figure 4.15 Satisfaction with current source of finance

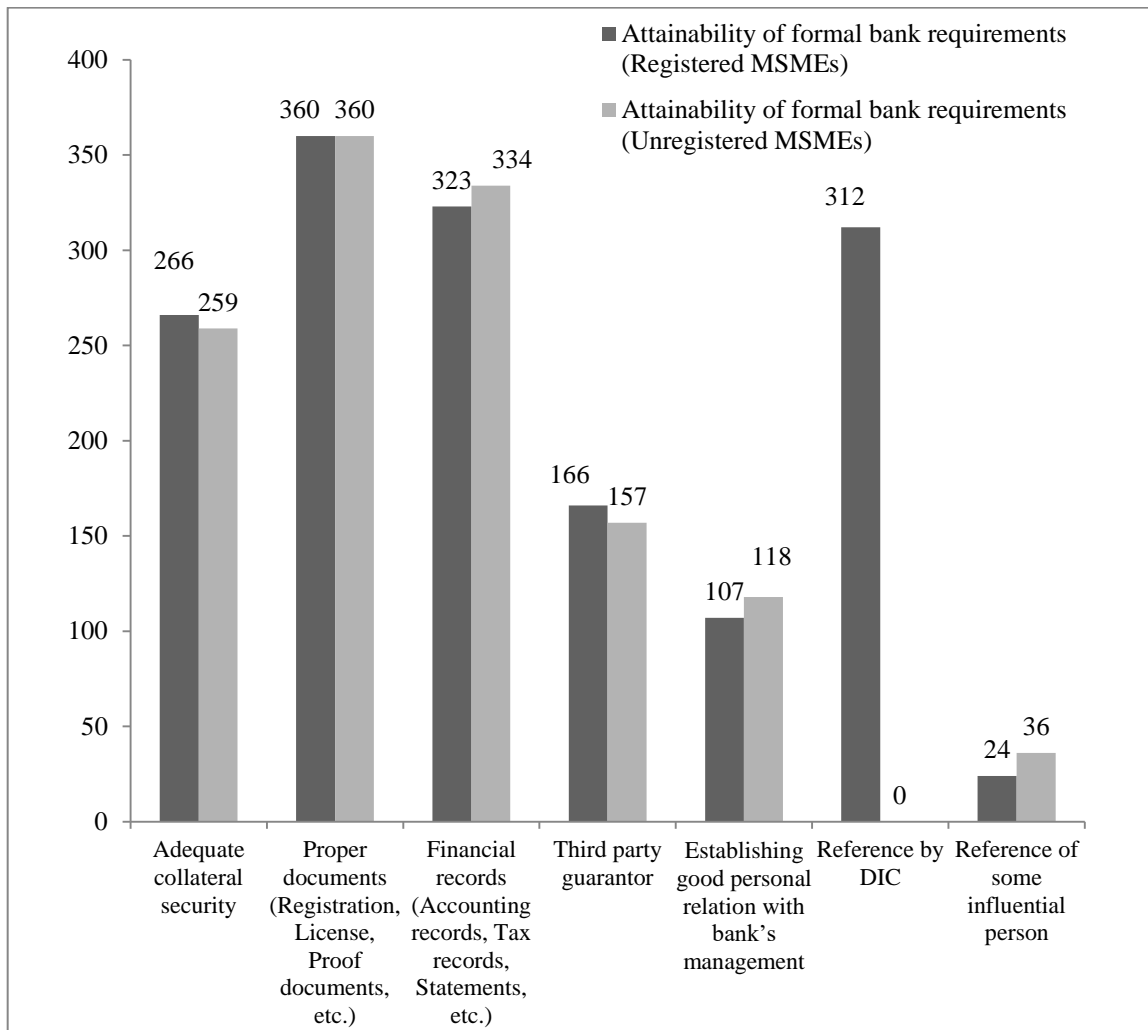


Figure 4.16 Attainability of formal bank requirements

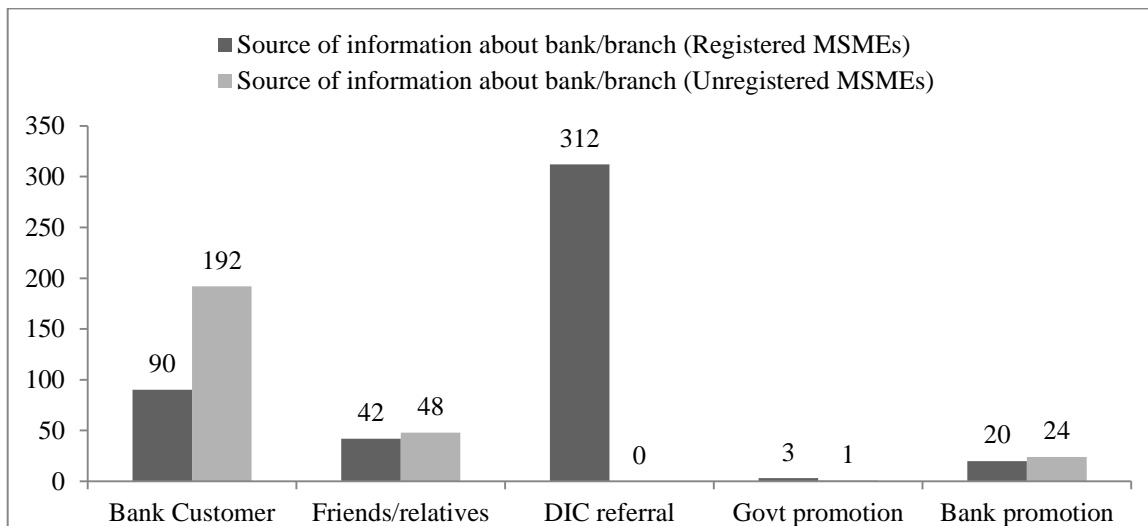


Figure 4.17 Source of information about bank/branch (non-exclusive)

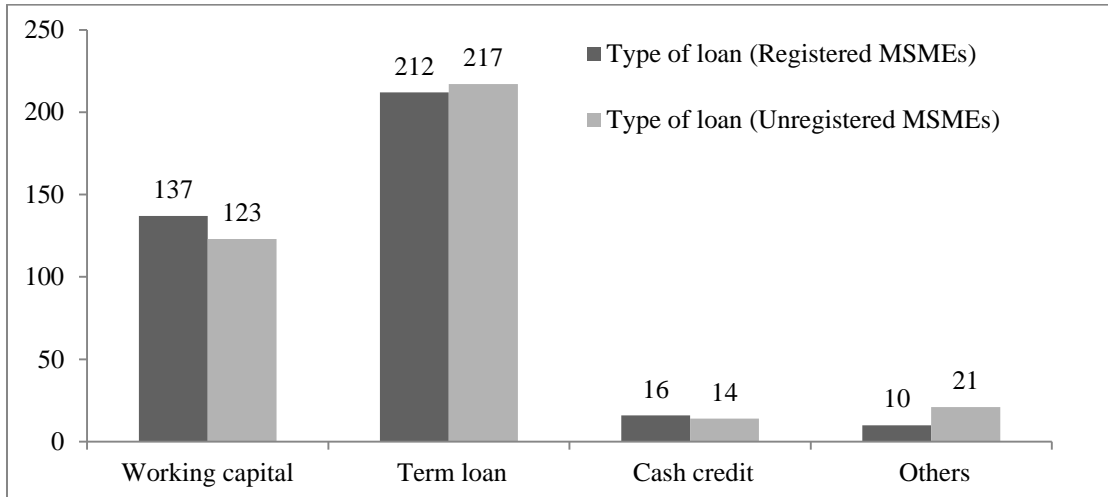


Figure 4.18 Type of loan

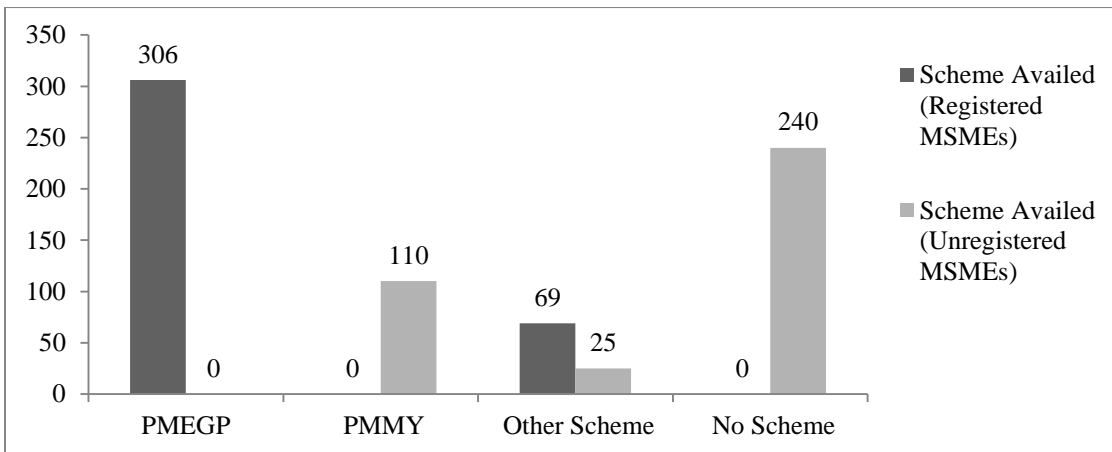


Figure 4.19 Type of scheme availed

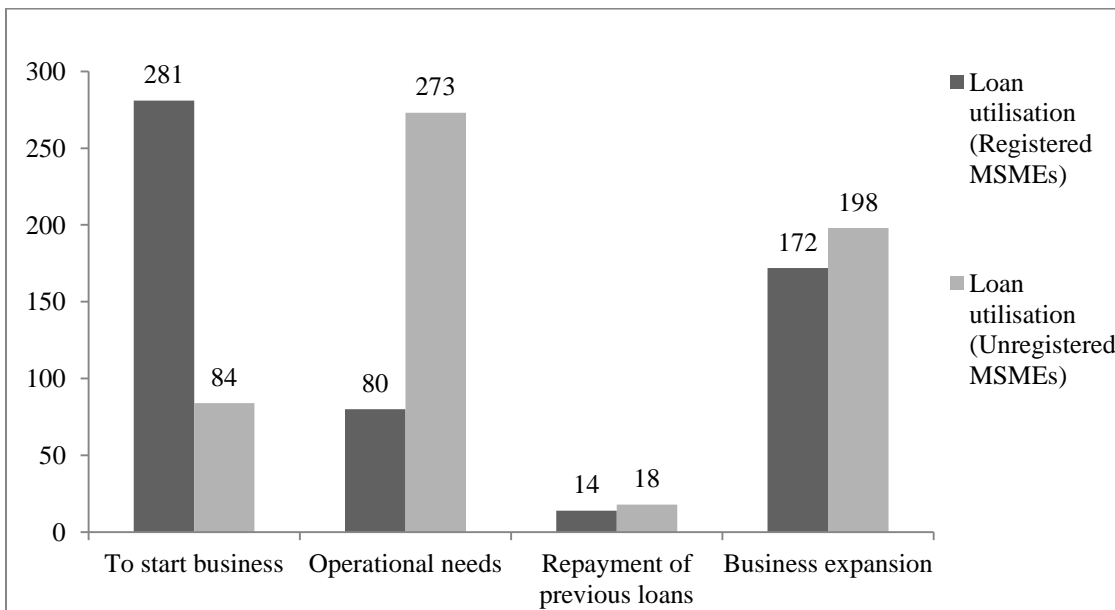


Figure 4.20 Loan utilisation

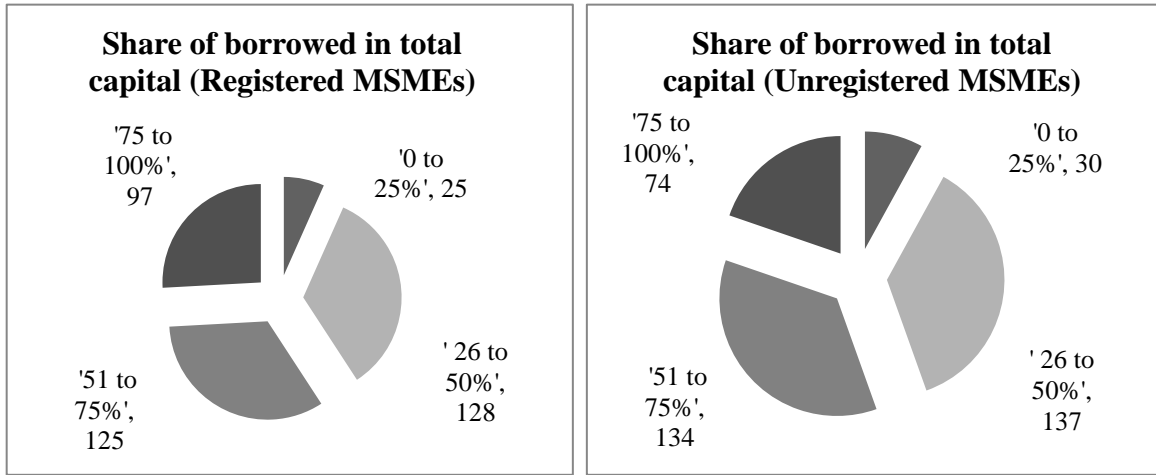


Figure 4.21 Share of borrowed capital in total investment

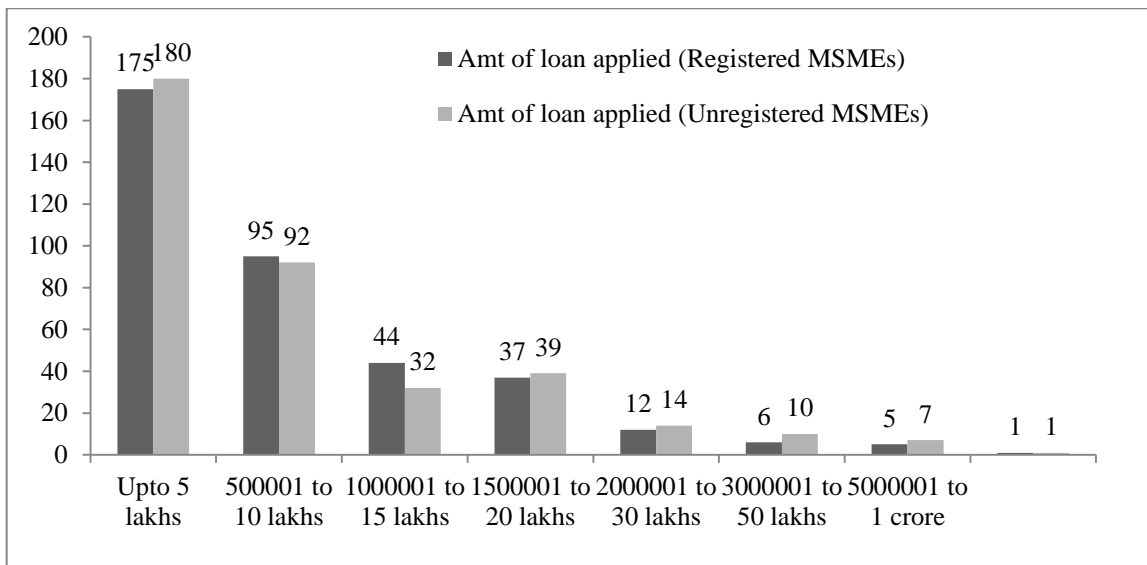


Figure 4.22 Amount of loan applied (in ₹)

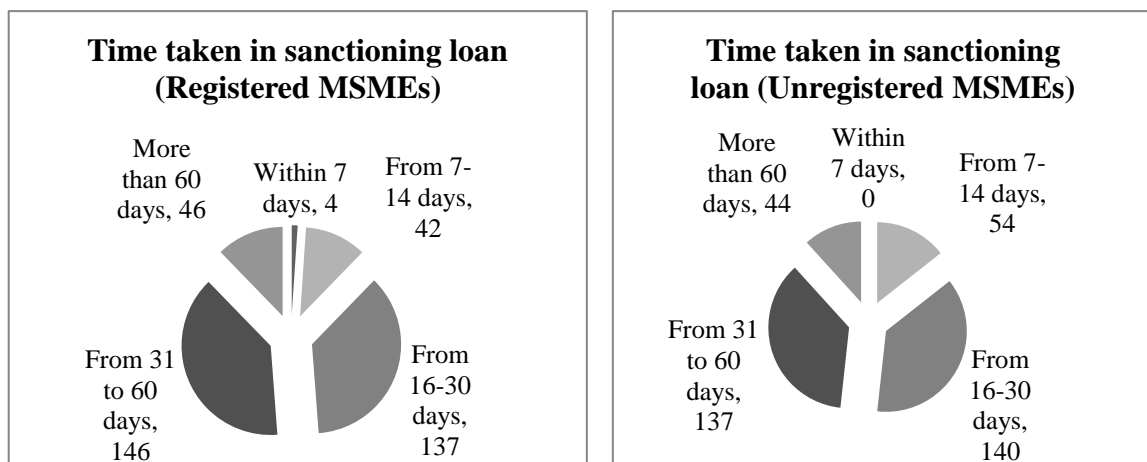


Figure 4.23 Time taken by bank in sanctioning loan

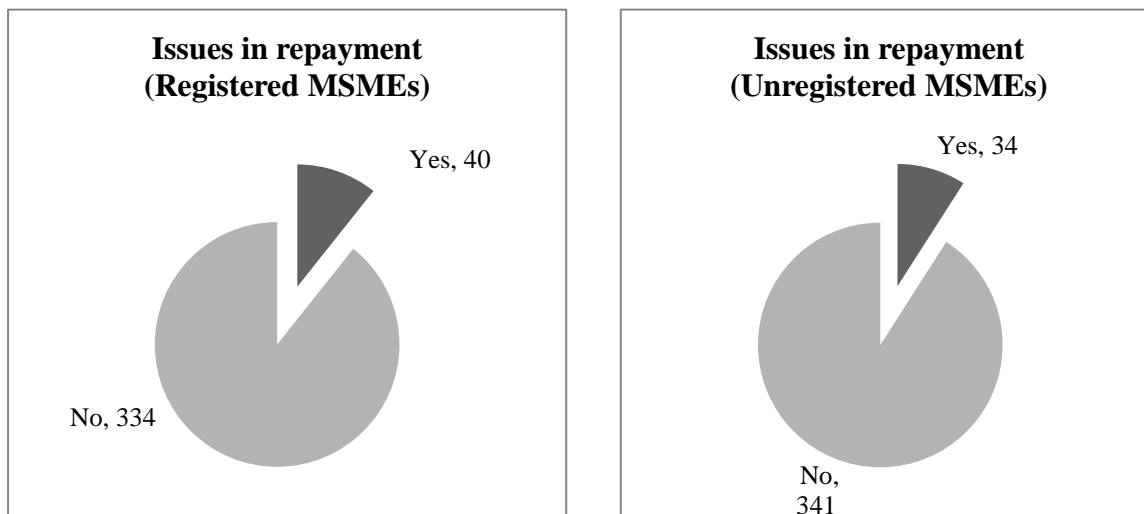


Figure 4.24 Problems experienced in timely repayment of loan

- Major bank services being availed (other than loan related) are current account (85-88%), savings account approximately 40% and fixed/recurring deposits approximately 9% for both registered and unregistered MSMEs.
- For both registered and unregistered MSMEs, approximately 46% of respondents were satisfied with current source of finance while 54% were not satisfied.
- For both registered and unregistered MSMEs, 96% of the MSMEs claimed to possess proper business related documents such as license, proof documents etc., 86-89% MSMEs claimed to maintain proper financial records of business, 69-70% claimed to possess some form of assets which could be used as collateral security, 41-44% claimed to have a suitable third party guarantor, 29-31% claimed to have good personal relationship with the bank's management, 83.2%(of registered MSMEs only) claims to have approached the bank with the DIC's referral and 9% of unregistered MSMEs claims to have approached the bank with the reference of some influential person.
- On asked about the source through which the bank was selected to approach for loan, 51% of registered MSMEs and 24% of unregistered MSMEs reasoned that they already held personal accounts with bank, 83% of registered MSMEs were referred by DIC, 11-12% were informed by friends, relatives, etc., 5-6% only by bank promotion, and less than 0.5% were informed through various government scheme promotions.

- Term loan was the most demanded loan (approximately 57% for both registered and unregistered MSMEs); followed by working capital (32-36%), cash credit (3-4%) and others (overdraft, personal demand loan) comprised only 2-6% (higher in case of unregistered MSMEs).
- 82% of registered MSME borrowers availed PMEGP scheme, 30% of unregistered MSMEs were PMMY borrowers, 19% of registered MSMEs and only 7% of unregistered MSMEs had availed some other scheme and 64% of unregistered MSMEs were not availing any scheme at all.
- Non-exclusively, 75% of registered MSMEs and 23% of unregistered MSMEs had utilized the loan for starting the business, 22% of registered MSMEs and 73% of unregistered MSMEs for operational needs, 45-52% of both registered and unregistered MSMEs for starting the business and 3-5% of both registered and unregistered MSMEs for repaying off previous loans.
- Out of total capital, proportion of loan amount loan comprised '25-50%' in case of 34-36% of both registered and unregistered MSME respondents, '51-75%' for 33-35% of both registered and unregistered MSMEs, '75-100%' in case of 19-25% of both registered and unregistered MSME respondents and 'up to 25%' for 6-8% of both registered and unregistered MSME respondents.
- 46-48% of both registered and unregistered MSMEs had applied for loan up to ₹5 lakhs, 24-25% of both registered and unregistered MSMEs had applied for loans from ₹5 lakhs to ₹10 lakhs, 8-11% of both registered and unregistered MSMEs applied for loan from ₹10 lakhs to ₹20 lakhs and the remaining 15-16% of both registered and unregistered MSMEs are dispersed from ₹20 lakhs to above ₹1 crore.
- 36-37% of both registered and unregistered MSME borrowers attained the loan in 16-30 days, 36-38% of both registered and unregistered MSMEs attained it in 31-60 days, 11-14% of both registered and unregistered MSMEs attained in 7-15 days, 11-12% attained in more than 60 days and only 1.1% of registered MSMEs only could attain the loan within 7 days.
- 89-90% of both registered and unregistered MSME respondents claimed that they faced no difficulty in repaying the loan in time while 9-10% agreed that they faced difficulty in repaying within time.

4.2 SUMMARY OF BORROWER PROFILE (750 respondents)

The summarized borrower profile with respect to the averages of financial and borrowing details categorised as per owner demographics (gender, age and education) and unit demographics (unit type, registration status, business experience, business location and business nature) presents us an overview of the selected sample. Median has been chosen to represent the sample because median is a better representative of central tendency when the sample size is large and there are outliers. The result is presented as follows:

Table 4.1 Table showing summary of borrowers' financial profile
(amount in ₹)

VARIABLE		CAPITAL INVESTED (Median)			YEARLY INCOME (Median)		
		<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>Micro</i>	<i>Small</i>	<i>Medium</i>
<i>Gender</i>	Male	500000	1500000	50000000	900000	3000000	5000000
	Female	1500000	1500000	40000000	900000	3000000	5000000
<i>Owner Age</i>	Upto 30 years	500000	1750000	50000000	900000	5000000	5000000
	30-40 years	600000	1500000	48750000	900000	3000000	5000000
	41-50 years	500000	1500000	60000000	830000	3000000	5000000
	> 50 years	500000	1500000	21150000	1000000	2500000	2750000
<i>Owner Education Status</i>	10th	800000	1410500	300000	800000	2500000	500000
	10+2	550000	1400000	50000000	1000000	4000000	5000000
	Graduate	500000	1562500	46000000	800000	3000000	5000000
	Post Graduate	500000	1500000	-	700000	3250000	-
	Others	2500000	5550000	-	1200000	4000000	-
<i>Unit Registration</i>	Registered	572500	1500000	50000000	980000	3000000	5000000
	Unregistered	500000	1500000	40000000	800000	3300000	5000000
<i>Unit business term (age)</i>	0-2 years	500000	1380000	60000000	700000	5000000	8000000
	3-5 years	500000	1600000	40000000	800000	4000000	5000000
	6-10 years	700000	1550000	50000000	1000000	2500000	6500000
	11-15 years	500000	1500000	30000000	900000	4000000	4800000
	16-20 years	600000	1395000	40000000	900000	2750000	5000000
	> 20 years	600000	1700000	10150000	1000000	4000000	2250000
<i>Location</i>	Urban	600000	1600000	47500000	1000000	3000000	5000000
	Semi-urban	500000	1365000	40000000	700000	4000000	5000000
	Rural	460000	1400000	50000000	500000	2000000	4500000
<i>Nature</i>	Manufacture	500000	1500000	60000000	500000	3000000	8000000
	Service	600000	1500000	40000000	1000000	3000000	5000000
<i>Owner ship</i>	Proprietor	500000	1500000	50000000	900000	3000000	5000000
	Partnership	500000	1450000	37250000	800000	4000000	5000000
	Company	1000000	8000000	-	1000000	1200000	-

VARIABLE		AMOUNT OF LOAN APPLIED (Median)			AMOUNT OF LOAN SANCTIONED (Median)		
		<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>Micro</i>	<i>Small</i>	<i>Medium</i>
<i>Gender</i>	Male	500000	2000000	10000000	500000	2000000	10000000
	Female	500000	2000000	30000000	500000	2000000	30000000
<i>Owner Age</i>	Upto 30 years	500000	2500000	20000000	500000	2500000	20000000
	30-40 years	500000	2000000	15000000	500000	2000000	12500000
	41-50 years	500000	2000000	15000000	500000	2000000	15000000
	>50 years	500000	2000000	4500000	500000	2000000	4250000
<i>Owner Education Status</i>	10th	500000	3750000	5000000	500000	2750000	5000000
	10+2	500000	2000000	10000000	500000	1600000	10000000
	Graduate	500000	2000000	17500000	400000	2000000	15000000
	Post Graduate	500000	2000000	-	475000	2000000	-
	Others	2000000	10100000	-	2000000	5100000	-
<i>Unit Registration</i>	Registered	500000	2000000	20000000	500000	2000000	15000000
	Unregistered	500000	2000000	15000000	450000	2000000	15000000
<i>Unit business term (age)</i>	0-2 years	500000	1000000	20000000	400000	1000000	20000000
	3-5 years	500000	3000000	20000000	400000	3000000	15000000
	6-10 years	500000	2500000	10000000	500000	2500000	10000000
	11-15 years	500000	2000000	10000000	500000	2000000	10000000
	16-20 years	500000	2000000	30000000	500000	2000000	30000000
	> 20 years	500000	1500000	10000000	400000	1500000	10000000
<i>Location</i>	Urban	500000	2000000	20000000	500000	2000000	20000000
	Semi-urban	400000	2000000	30000000	300000	1750000	30000000
	Rural	500000	2000000	4000000	500000	2000000	4000000
<i>Nature</i>	Manufacture	500000	2500000	10000000	400000	2000000	10000000
	Service	500000	2000000	20000000	500000	2000000	15000000
<i>Owner ship</i>	Proprietor	500000	2000000	15000000	500000	2000000	12500000
	Partnership	500000	2750000	25000000	500000	2250000	25000000
	Company	500000	2000000	-	450000	2000000	-

Table 4.2 Table showing average sanction time for borrowers

VARIABLE		TIME TAKEN BY BANK IN SANCTIONING LOAN (Median)		
		<i>Micro</i>	<i>Small</i>	<i>Medium</i>
<i>Gender</i>	Male	31-60 days	16-30 days	31-60 days
	Female	31-60 days	16-30 days	31-60 days
<i>Owner Age</i>	Upto 30 years	16-30 days	31-60 days	7-15 days
	30-40 years	31-60 days	16-30 days	31-60 days
	41-50 years	31-60 days	31-60 days	16-30 days
	> 50 years	16-30 days	16-30 days	31-60 days
<i>Owner Education Status</i>	10th	16-30 days	16-30 days	16-30 days
	10+2	31-60 days	16-30 days	31-60 days

	Graduate	31-60 days	16-30 days	31-60 days
	Postgraduate	16-30 days	16-30 days	-
	Others	16-30 days	16-30 days	-
<i>Unit Registration</i>	Registered	31-60 days	16-30 days	31-60 days
	Unregistered	16-30 days	16-30 days	16-30 days
<i>Unit business term (age)</i>	0-2 years	31-60 days	31-60 days	31-60 days
	3-5 years	16-30 days	16-30 days	31-60 days
	6-10 years	31-60 days	16-30 days	16-30 days
	11-15 years	16-30 days	31-60 days	More than 60 days
	16-20 years	31-60 days	16-30 days	7-15 days
	> 20 years	16-30 days	31-60 days	16-30 days
<i>Location</i>	Urban	16-30 days	16-30 days	31-60 days
	Semi-urban	31-60 days	16-30 days	7-15 days
	Rural	31-60 days	16-30 days	31-60 days
<i>Nature</i>	Manufacture	31-60 days	31-60 days	16-30 days
	Service	16-30 days	16-30 days	31-60 days
<i>Ownership</i>	Proprietor	16-30 days	16-30 days	31-60 days
	Partnership	31-60 days	16-30 days	7-15 days
	Company	16-30 days	31-60 days	-

- It is observed from the profiling that female MSME borrowers invested more capital (for micro units), but earned similar average incomes for all units. Male borrowers also applied for and got sanctioned similar average amounts of bank loans when compared to their female counterparts with the exception in case of medium units where female borrowers applied and got sanctioned higher amounts of loans.
- In case of age of owners, though there is no discernible pattern, it is seen that owners in the age group of '30 years and lesser' invested higher amounts and applied for higher bank loans on an average compared to other age groups.
- In terms of education of owners, borrowers with qualifications other than those mentioned invested the higher amounts, earned the highest incomes, and applied for and got sanctioned higher amount in most cases compared to their counterparts on an average.
- Registered MSMEs mostly invested, earned, applied for loan and got a sanction slightly larger amount on an average compared to unregistered MSMEs. MSMEs that had business experience of '6-10 years' groups invested more and earned more. They also applied for and got sanctioned more amounts of loans on an average than the others. MSMEs located in urban areas and semi-urban areas

invested more, earned more, applied for and got a sanction of larger amounts of loans on an average except in case of medium industries where units located in rural areas applied for higher average amount of loans.

- Manufacturing units invested higher and earned higher except in case of micro and small industries, and applied for and got sanctioned higher amount of loans compared to units that are in service industry, except in case of medium sized units. In light of the GST regime, there has been a bill proposed to amend the basis of classification of MSMEs on the basis on turnover (irrespective of manufacturing or service enterprise) rather than on the basis of investment⁷ as is currently being practised.
- Companies have higher investment and annual income on an average but partnership units have borrowed higher amounts from banks. There was no medium sized company MSME included in the sample.

⁷<http://pib.nic.in/newsite/PrintRelease.aspx?relid=176353>