

**WORKING CAPITAL PREFERENCES FOR AGRO BASED MSME's – A STUDY ON
SELECTED ENTERPRISES OF D.K DISTRICT**

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We today live in the economy that believes in continuous innovations. Our economy is kept young by the “next new thing.” Time to time inevitable changes take place & the new ideas replace the old ones. MSME's are also not an exception to this. Things across the globe change very fast in manufacturing & services sector. Today we find that Agro based MSME's have lot to do. They mobilize best possible resources & try to attain higher competency levels; today we find that there is growing demand for our agro based products in both local & global markets. This makes it crystal clear that our MSME's can grab the opportunity of export potential existing presently in the markets. To do this first & foremost required thing is making working capital available from all possible sources at affordable rates. The study made here concentrates on entrepreneurs preferences of working capital products specially made for agro based MSME's to operate their business smoothly in the respective market.

Keywords: Inevitable, Competency, Potential, Continuous Innovations

Introduction:

Markets across the globe is changing & so is the current Industrial trend, today our Micro small & medium enterprises operate across the globe, especially those which are agro based operate in a particular region where there is a complete potential for excellence in Manufacturing, Marketing & serving top class agricultural & agricultural allied products in the market. These markets can be felt at local, national & international levels for rich agro based products. Agro based MSME'S operating in the market rely purely on the quality of our agro based products. The demand for our agro based products are substantially good in growing markets across the globe, this clearly infers that our agro based industries have bright future presently as well as the coming days ahead. This is due to the known fact that growing population needs direct & indirect support of agro based products for their survival, growth & development. This will be experienced even in the generations ahead. The major contributions of agro based MSME's are as follows:

- Approximately 35% of the employment is generated from the contributions of Agro Based MSME's operating in the market.
- Part of our GDP contribution comes from Agro based MSME'S in the market.
- Majority of our Exports take place from our Agro based MSME's which also contributes to much of our foreign exchange earnings.
- Agro based MSME's also contributes directly or indirectly to the development of its supportive ancillary industries.

Our economy is strongly dominated by older firms tied to proven products and familiar business methods, this needs regular introspection. These practises are carried out in every state & metropolitan areas irrespective of size, category & nature of business of firm.

To start & run a agro based MSME & to make it competent in any market needs sound arrangement of working capital which has to be arranged from different sources. Entrepreneurs today have wide choices to make to raise their working capital to carry out their business operations. This paper focuses on preferences of suitable working capital scheme by entrepreneurs who run agro based MSME's in Dakshina kannada district of Karnataka state. The study includes both New as well as existing entities. Major attention is focused on the following industries who are concentrated more in the selected study area. These include the following:

- (1) Cashew & Cashew processing Industries.
- (2) Coconut & coir products Manufacturers.
- (3) Rice Industries including Rice Mills.
- (4) Cocoa beans processing Industries (Campco).
- (5) Arecanut & arecanut products.
- (6) Jasmine flower cultivation & its product Manufacturers.

The study is undertaken in Dakshina Kannada district of Karnataka state to fulfil the following study objectives:

- (1) To study the Entrepreneurs preferences of working Capital products.
- (2) To study the Entrepreneurs Satisfaction towards their currently enjoying working capital products & the respective Banks/ Financial Institutions.
- (3) To study the major purpose of raising working capital.
- (4) To study the appropriate measures that can be undertaken by the entrepreneurs for their smooth running of their business.

Research Methodology:

The study is undertaken in Dakshina kannada district covering entire five taluks (Sullia, Puttur, Bantwal, Mangalore & Belthangady). Data for the study is collected from the responses obtained from the data given by the respondents. The study is done with the help of both Primary & secondary data which is collected from the different sources. Data collection plans are as mentioned below.

Primary data is collected through structured questionnaire & interview method & the secondary data is collected through Books, Journals, Newspaper articles & the related websites. Data collected is further tabulated, analysed & interpreted methodically. type of sampling method deployed to conduct the study was Stratified random sampling & the number of Agro based MSME's selected is twenty five industries as mentioned above.

Scope &significance of study:

The study undertaken in the study area is a reliable indicator of agro based MSME's performance in the respective area of operation. This study focuses on thorough understanding of working capital requirements of entrepreneurs running agro based MSME's at Dakshina Kannada district of Karnataka. The study can also cover the following aspects:

- (1) Awareness of the existence of particular schemes pertaining to agro based MSMSE's & its complete flexibility.
- (2) This study can also help the entrepreneurs in planning their business professionally throughout.
- (3) This study can also be a guideline for similar studies that can be made in larger geography by taking more number of industries with larger population.

Limitations of the study:

The study observes the following the following limitations:

- (1) The study is conducted in five taluks of the district, but however it was not possible to cover all the agro based micro enterprises due to time constraints.
- (2) The study was conducted for only 3 months period only.
- (3) There were difficulties to tap the information from the entrepreneurs (only in certain selective cases) as they were not willing to share their confidential & financial information.
- (4) There may be biases in the responses given by the respondents, but however it is tried to the level best to reduce bias responses.

Data Analysis:

Data is analysed from the responses given by the respondents (Entrepreneurs) running agro based MSME's. Initially data is tabulated & the responses are put in the form of bar charts & percentage of each response are calculated & presented. From the analysis made findings are drawn & suggestions are given.

Table 1: Age of the respondents

Age	No of respondents	Percentage
21 – 30	5	20
31 – 40	10	40
41 – 50	7	28
51 – 60	3	12
Total	25	100

Table 2: Type of industries selected in the study

Type of industry	Number of respondents	Percentage
Cashew processing	8	32
Coconut and coconut products	3	12
Rice mills	7	28
Cocoa processing	2	8
Arecanut processing	3	12
Jasmine cultivation and processing	2	8
Total	25	100

Table 3: Business experience of entrepreneurs

Business experience in years	Number of respondents	Percentage
1 – 3	3	12
3 – 5	2	8
5 – 7	4	16
7 – 9	6	24
>9	10	40
Total	25	100

Table 4: Location of Business entrepreneurs

Area	Number of respondents	Percentage
Rural	5	
Semi urban	10	
Urban	10	
Total	25	

Table 5: Sources of working capital finance for entrepreneurs

Source of finance	Number of respondents	Percentage
Banks	15	
Financial institutions	6	
Village co – operatives	4	
Total	25	

Table 6: Purpose of raising working capital of entrepreneurs

Purpose of raising working capital	Number of respondents	Percentage
Start up	4	16
Expansion	14	56
Diversification	4	16
Takeover	3	12
Total	25	100

Table 7: Current turnover of enterprise

Turnover in Rs	Number of respondents	Percentage
Up to 50 lakhs	9	36
50 lakhs – 1 crore	5	20
1 – 2 crore	5	20
>2 crore	6	24
Total	25	100

Table 8: Working capital schemes enjoyed by entrepreneurs

Schemes enjoyed	Number of respondents	Percentage
Over draft	14	56
Term loan	6	24
Cash credits	3	12
Others (specify)	2	8
Total	25	100

Table 9: Entrepreneurs working capital schemes preferred for future business operations

Schemes preferred in future	Number of respondents	Percentage
Over draft	9	36
Term loan	7	28
Cash credits	5	20
Others (specify)	4	16
Total	25	100

Table 10: Opinion on collateral demanded for funding

Opinion	Number of respondents	Percentage
Too much	15	60
No difference	10	40
Total	25	100

Table 11: Expected support of entrepreneurs for successful running of their enterprise

Support needed	Number of entrepreneurs	Percentage
On time funding	8	32
Transparency in charges	6	24
Good services	11	44
Total	25	100

Table 12: Future prospects of agro based MSME's in the opinion of entrepreneurs

Prospectus of agro based MSME's	Number of entrepreneurs	Percentage
Better and bright	15	60
Dependence on changing trends	10	40
Total	25	100

Table 13: Satisfaction level of entrepreneurs with their current industry

Satisfaction level	Number of entrepreneurs	Percentage
Highly satisfied	13	52
Satisfied	10	40
Unsatisfied	2	8
Total	25	100

Table 14: Satisfaction level of entrepreneurs with their banks / financial institutions

Satisfaction level	Number of respondents	Percentage
Highly satisfied	11	44
Satisfied	11	44
Not satisfied	3	12
Total	25	100

Findings of the Study:

- (1) It is found from the study that 40% of respondents are in the category of the age group of 31-40 years (Table 1).
- (2) It is found from the study that major industries included in the study are Cashew processing Industries & Rice mill (Table 2).
- (3) It is found from the study that majority of the entrepreneurs are carrying a rich experience of more than nine years (Table 3).
- (4) It is found from the study that majority of the entrepreneurs in the study area operate their business in urban area (location) (Table 4).
- (5) It is found from the study that majority of the entrepreneurs prefer banks as a source for raising their working capital for the operation of their business (Table 5).
- (6) It is found from the study that majority of the entrepreneurs raise working capital products for the expansion of their business (Table 6).
- (7) It is found from the study that majority of the enterprises in study area selected in the study fall in the category with their business turnover of up to fifty lakh rupees per annum (Table 7).
- (8) It is found from the study that majority of the entrepreneurs currently enjoy Over draft schemes in comparison to other schemes to run their enterprises (Table 8).

- (9) It is found from the study that entrepreneurs prefer to continue with their overdraft facility & also recommend the same to others for the start-up of their new business in compared with other schemes (Table 9).
- (10) It is found from the study that majority of the entrepreneurs feel that the collateral (Security) demanded for processing the finance is too much in comparison with normal expectations of entrepreneurs (Table 10).
- (11) It is found from the study that entrepreneurs prefer to have on time funding in comparison with other support level given to agro based micro enterprises (Table 11).
- (12) It is found from the study that majority of the entrepreneurs strongly believe that the prospects of agro based MSME's is better & bright in the coming future (Table 12).
- (13) It is also found from the study that majority of the entrepreneurs are highly satisfied with their working capital products (Table 13).
- (14) It is also found in the study conducted that majority of the entrepreneurs are highly satisfied with their Banks/Financial institutions who provided them the required working capital for efficient operation of their business (Table 14).

Suggestions:

The following suggestions are found worth implementing for efficient operation of Agro based MSME's in the study area:

- (1) Providing seed capital for efficient operations of business.
- (2) Educating Entrepreneurs to know & tap new opportunities.
- (3) Provide continuous training programmes & establish strong rapport with entrepreneurs training institutes.
- (4) Better schemes for the benefit of the entrepreneurs who are in the following categories (a) senior citizens (b) Retired defence person (c) Women Entrepreneurs (d) Widows etc. This has to be revised from time to time.
- (5) Banks/Financial institutions need to be transparent in their charges & disclose the same whenever demanded.

Concluding Remarks:

Agro based MSME's play an essential part in the development of our economy. To perform better they need adequate support from government, banks/financial institutions etc. there are

both opportunities as well as challenges for these enterprises in the developing economy. There is a vast scope for enhancing its potential, this will also help them realize the benefits arising out of available opportunities in the broad untapped market.

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