CHAPTER II

OBJECTIVES, HYPOTHESES AND METHODOLOGY

2.1: Introduction

The previous chapter gave a complete theoretical and conceptual framework about the various issues surrounding the topic of the present research. The current chapter presents the identification of research problems, objectives, hypotheses and the methodology adopted for the study. The sampling method, the tools and techniques used, period and area of the study, the scope and limitations of the study and the thesis framework are also given in this chapter.

2.2: Title of the Study

“Access to Finance for Micro and Small Metalware Enterprises in Thanjavur District”.

2.3: Problem Setting

Micro, Small and Medium Enterprises (MSMEs), worldwide form an integral part of both developed and developing economies, provide considerable contribution to various areas like employment, exports, industrial output, industrial prosperity and social progress. According to United Nations Industrial Development Organisation (UNIDO), the Small and Medium Enterprise (SME) segment is estimated to comprise almost over 90 per cent of all the enterprises in the world and account for over 50 to 60 per cent of total employment, and this figure rises to almost 80 per cent in case of manufacturing. It was observed from the review that majority of the researches
on SMEs were concerned with the industrialised countries. There is limited literature available for developing countries because of sparser availability of basic data.

Most of the studies (Beck et al. 2005, Paul Cook and Fredrick Nixson 2001, Vos et al. 2007) have identified several key research questions, which require investigation. Among these, little is known about the relationships between the financing of SMEs and their ownership characteristics, size, and age. Similar studies conducted in SMEs establish the following results. The desire for growth is tempered, the availability of finance is unimportant except for working capital or funding moderate growth, the increasing years of work experience was found as a positive determinant of loan applications, the older firms fear loan denial lesser than younger firms; older firms also apply to bank loans less often showing the increasing financial contentment with the firm age.

The findings of these studies also showed that a large proportion of small firms that are not using bank loans actually do not need any external finance or have been refused a loan for basic business reasons. Also a large proportion of these firms simply have no demand for finance or no good projects to finance. Access to finance also includes the provision of microfinance through self help groups. The members of self help groups can productively use this avenue to run their enterprise or even start venturing into new business. Many countries worldwide also follow other innovative ways of expanding access to finance for MSMEs.
Therefore, this study mainly deals with the access to finance lui tin, micro and small enterprises with particular reference to the selected metalware clusters of Thanjavur District of Tamil Nadu. The selection of the study area and the clusters was influenced by their historical importance, culture, and heritage. The study looks into the ‘access to’ and ‘use of formal and informal sources of finance for the owner-managers of micro and small enterprises and the possible role of men self help groups in promoting the entrepreneurship among the worker-artisans. A study of the good examples or practices in improving the access to finance for MSMEs elsewhere in the world was also attempted to map the best practices and to draw possible lessons for India and Indian MSEs.

The study is exploratory in nature in the sense that it looks into the development of metalware industry in the study area, the financial accessibility and its use by the micro and small metalware enterprises, the role of men self help groups towards creating entrepreneurship and the lead bankers’ perception in lending credit to MSEs. The present study has adopted the ‘comparative case study method’ which takes two clusters in the same metalware handicraft sector in the same district.

2.4: Issues Raised

The issues raised and addressed in this study are;

i) what are the socio-economic characteristics of owner-managers and worker-artisans of micro and small enterprises in the chosen metalware clusters?
ii) what are the funding options that are currently available and used by the micro and small enterprises?  

iii) what are the factors that influence the provision of bank credit to micro and small enterprises?  

iv) what is the role of men self help groups in creating or promoting entrepreneurship?; and  

v) what could be the future direction in improving or expanding the access to finance for Indian MSEs in the light of the select international best practices?  

2.5: Objectives  

From the above issues, the objectives of the present study have been formulated as follows:  

i) to compare the socio-economic characteristics of owner-managers and worker-artisans of micro and small enterprises between the two clusters in the study area,  

ii) to analyse the funding options that are currently accessible and used by the micro and small metalware enterprises,  

iii) to study the important factors influencing bank credit to the micro and small enterprises,  

iv) to examine the role of men self help groups in promoting entrepreneurship among the worker-artisans, and  

v) to suggest possible means through experience for improving /or expanding the access to finance for the micro and small enterprises by looking at some of the best practices of select countries.
2.6: Hypotheses

The hypotheses formulated for empirical testing are:

i) there is no significant difference between the two selected clusters on select socio-economic characteristics,

ii) there is no significant relationship between the two selected clusters on the access and usage of formal and informal sources of finance,

iii) there is no significant difference between the two clusters on the factors influencing bank credit, and

iv) the membership in men self help groups and entrepreneurship are independent in both the clusters.

2.7: Methodology

This study followed comparative case study method, wherein the comparisons were made between the two handicraft clusters namely Swamimalai Bronze Icon cluster and Thanjavur Art Plate cluster.

2.7.1: Data Base

Both primary and secondary data were collected for the present study.

2.7.1.1: Primary Data

The primary data was collected from the owner-managers of MSEs, artisans and the lead bank (Indian Overseas Bank) by using interview schedule. The interview schedule of Hamilton et al. (2002), Scottish Executive Central Research Unit’s report on ‘Business Finance and Security over Movable Property’ was used with appropriate changes to reflect the concerns of the owner-managers of present study area. The interview schedules for the worker-artisans and the lead bank were developed by the researcher after the review of
existing literature. The interview schedules were validated through the experts in the field and also checked for the reliability of scales used. The reliability analysis gave Cronbach’s Alpha of 0.7328. These data were collected during 2007-08.

2.7.1.2: Secondary Data

The secondary data was collected from the national and international journals, publications of Indian institutions like Reserve Bank of India, Small Industries Development Bank of India, National Bank for Agricultural and Rural Development, and international/multinational institutions like International Monetary Fund, United Nations Industrial Development Organisation, Ministry of Finance and the Ministry of Micro, Small and Medium Enterprises, Government of India, New Delhi. The secondary data was collected for a period of eighteen years from 1990-91 to 2007-08.

2.7.1.3: Sampling Procedure

The sample was selected based on disproportionate stratified random sampling method. The stratification was done based on the ownership. Within the strata of owner-managers and worker-artisans, further distinctions were made based on their memberships in the society and the men self help groups.

The process of arriving at the sample size was started with the members list of both the societies namely, Thanjavur Art Plate Workers Co-operative Cottage Industries Society Limited and The Swamimalai Icon Manufacturers’ Cooperative Cottage Industrial Society Limited. The lists consist of 166 members in Thanjavur and 169 members in Swamimalai. District Industries Centre (DIC) was also contacted to get more authentic list. It was learnt that the
societies’ list was the only authentic list available for selecting the respondents. It was also learnt that the available list was not exhaustive and there were many other artisans in the clusters who were not members in the society. Some of the members in the available list were not in the trade and some of them were even dead. By snowball method, a list of non-members, who were also in the trade, was collected.

Of the list prepared the disproportionate stratified random sampling methodology was employed to pick the respondents for the field survey. Thus, the number of owner-managers chosen for the field survey was 36 and 27 and the number of worker-artisans chosen was 71 and 77 respectively from both the Thanjavur and Swamimalai clusters. Thus the total sample selected for conducting the present survey was 63 owner-managers and 148 worker-artisans in Thanjavur and Swamimalai.

Since the study mainly focuses on the demand side, namely the micro and small enterprises and artisans, only the lead bankers were interviewed from the supply side, namely the lending institutions.

The criteria for the selection of clusters (Swamimalai Bronze Icon cluster and Thanjavur Art Plate cluster) for the field survey (of micro and small enterprises and artisans) were decided based on their historical importance (1000 years old and 400 years old respectively) and culture and heritage. Both the clusters were registered Geographical Indications under Geographical Indications of Goods (Registration and Protection) Act 1999, suggesting that these are the only places in the world where the authentic Thanjavur Artplates and Swamimalai Icons were produced.
2.7.2: Tools for Data Collection

Interview schedules were used to collect the primary data from the owner-managers and worker-artisans of micro and small metalware enterprises, and the lead bank, namely Indian Overseas Bank, from the selected clusters in Thanjavur district. The interview schedules were pre-tested before being administered to the sample units.

2.7.3: Techniques for Analysis

The data thus collected were analysed with the help of statistical techniques, such as frequency tables, percentages, cross tabulation, chi-square, odds ratio, logistic regression, Cramer’s V, and ANOVA. Diagrams and other statistical tools were used wherever necessary.

2.7.3.1: A Note on Odds ratio

Odds are a way of presenting probabilities. The odds ratio is a measure of ‘effect size’, describing the strength of association or non-independence between two binary data values. It is used as a descriptive statistic. The odds ratio is used extensively in the healthcare literature. The odds of an event happening is the probability that the event will happen divided by the probability that the event will not happen. Odds ratio is calculated by dividing the odds in group 1 by the odds in group 2. If the probabilities of the event in each of the groups are \( p_i \) (first group) and \( p_2 \) (second group) then the odds ratio is calculated using the following formula:

\[
\text{OR} = \frac{p_i / (1 - p_i)}{p_2 / (1 - p_2)} = \frac{p_i q_2}{p_2 q_i} \]

\( p_i \) and \( q_i \) are the probabilities of the event in group 1 and group 2 respectively.
Where, \( p_i \) = Probability of Occurrence in first group

\[ P_2 = \text{Probability of Occurrence in second group} \]

\[ q_i = \text{Probability of Non-occurrence in first group} \]

\[ q_2 = \text{Probability of Non-occurrence second group} \]

Odds ratio of 1 indicates that the condition or event under study is equally likely in both groups. If the odds ratio is greater than 1 it indicates that the condition or event is more likely in the first group. And if the odds ratio is less than 1 it indicates that the condition or event is less likely in the first group. The odds ratio must be greater than or equal to zero.

2.7.4: Period of the Study

The Primary data were collected from the owner-managers of micro and small metalware enterprises, the worker-artisans and the lead bank managers during the year 2007-08. The secondary data were collected for a period of eighteen years from 1990-91 to 2007-08.

2.7.5: Area of the Study

The present study relates to owner-managers of micro and small metalware enterprises, worker-artisans and lead bankers at two clusters, Thanjavur Art Plate Cluster and Swamimalai Bronze Icon Cluster, located in the Thanjavur district of Tamilnadu state in South India.

2.8: Scope and Limitations of the Study

This work represents a maiden attempt on the issue of ‘access to finance’ for the owner-managers of micro and small enterprises, which in turn deals with the ‘access to’ and ‘use of formal and informal sources of finance
and their associated problems or characteristics, at select clusters of Thanjavur
district. The study also deals with the worker-artisans in the study area and the
usefulness of their men Self Help Groups in promoting entrepreneurship among
these artisans. The study also delineates the best practices in funding micro,
small and medium enterprises in select countries. Although no systematic and
authentic records were available on the development trends of the metalware
clusters in the study area, this study fulfills the above gap.

As the study is mainly concentrating on the ‘access to finance’, other
industrial aspects of micro and small enterprises were not studied, which may
influence the research findings. An attempt has been made to study the best
practices of select countries and to suggest possible lessons that could be
emulated for improving access to finance for Indian micro and small enterprises. Whatever is suggested in the research work, it is related to the
problem selected for the present study. Utmost care is essential in applying
these suggestions for other research problems. The study concentrates mainly
on the demand side and hence the supply side, namely the funding institutions
was not studied in depth. However, the data was collected from the lead bank
of the district (Indian Overseas Bank) in order to analyse the factors that
influence lending money to these micro and small enterprises.

This study is on ‘micro and small enterprise finance’ and not on
‘microfinance’, even though the subject of microfinance is mentioned when
describing the men self help groups. Hence, the subject of microfinance is just
touched upon and the greater details of the same are not within the scope of this
research.
The study is narrow and focused on just two clusters in a single industry set up in two geographic areas of the same district. Hence, the generalisation of the findings to other regions should be taken with utmost care.

2.9: Organisation of the Thesis

The thesis consists of ten chapters, namely:

Chapter I - Introduction: This chapter deals with the theoretical background, the role of industries in economic development, the role of SMEs in economic development, regional development and SME clusters, finance as a growth constraint, ‘Access to’ and ‘use of finance by MSMEs, SHGs and entrepreneurship development, credit flow to SSIs and the policy support to MSEs of India.

Chapter II - Objectives, Hypotheses and Methodology: This chapter summarises the problem statement, research questions or issues raised, objectives of the study, methodology - data sources, sampling procedure, period of study, area of the study, tools and techniques for analysis, scope and limitations, and organisation of the thesis.

Chapter III - Review and Concepts: This chapter discusses the studies conducted so far in the field of MSMEs, access to and use of finance by SMEs, SHGs, microfinance and entrepreneurship, and the best practices in financing MSMEs. This chapter tries to find out the research gap so as to offer possible/plausible solutions to the existing problems. It also explains various terms that are associated with this study under the heading of ‘concepts’.

Chapter IV- Profile of the Study Area: This chapter explains the profile of study area with respect to both the MSE clusters that are chosen for the analysis. It includes geographic background and the profile of the state and the district of the study area, resource potential, historical importance of the trades,
production process, background of artisans, marketing of the produce, mapping of good and innovative practices, mapping the stakeholders of the clusters concerned.

Chapter V - Socio-Economic Characteristics of Owner-managers and Worker-artisans: This chapter explains and compares the socio-economic characteristics of owner-managers and worker-artisans of MSEs of both clusters.

Chapter VI - Access to Finance for Micro and Small Enterprises: This chapter is devoted to the analysis and interpretation of the problem of ‘access to’ and ‘use of finance by the owner-managers of selected MSEs of both clusters. This is done with the help of appropriate statistical tools and techniques like cross tabulation, Cramer’s V, Odds ratio and logistic regression.

Chapter VII - Factors Influencing Bank Credit: This chapter explains both the bankers and owner-managers’ views on the factors influencing the credit to MSEs. This was done with the help of appropriate statistical tools and techniques like ANOVA.

Chapter VIII - Men Self Help Groups and Entrepreneurship: This chapter deals with the usefulness of men self help groups and its possible role in promoting entrepreneurial activity among the worker-artisans of the clusters. Statistical tools and techniques like chi-square, Cramer’s V and Odds ratio have been used.

Chapter IX - Improving Access to Finance for the Micro and Small Enterprises: Learnings from International Experiences: This chapter brings to
light various international good practices and experiences that can be emulated to improve the access to finance for Indian MSEs and attempts to list down possible lessons for India.

Chapter X - Summary, Findings, Conclusions, and Policy Implications: This chapter is allotted for tracing out the major findings of the study, conclusions, and policy implications.

2.10: Conclusion

This chapter is devoted to specify the framework of the thesis. This study deals with the problem of ‘Access to Finance’ of two selected handicraft metalware clusters in Thanjavur District of Tamilnadu. Five objectives were delineated to study the owner-managers’ access to finance problems and worker-artisans’ possible intent to become entrepreneurs and the usefulness of SHGs towards this end. The tools used and the rationale for the selection are also discussed. Thus, this chapter purports to elucidate the research background and its significance to the research field.