CHAPTER VII
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

This chapter summarizes and gives a clear picture of the present research work. The major findings are stated and the suggestions are suitably drawn out of the findings. An appropriate conclusion is traced out conspicuously to culminate the research and scope for further study is also given.

7.2 FINDINGS

The results of the study are summarized as follows:

7.2.1 ENTREPRENEUR’S PROFILE

- 86 per cent of the enterprises are owned by male entrepreneurs.
- 96.4 per cent of them are married.
- 38.1 per cent of them have been in the age group of 26-35 years.
- 39.2 per cent have completed their Under Graduate degree.
- 78.4 per cent of them represent the religious groups of Hindus.
- 66.5 per cent of them represent the Backward Community.
7.2.2 ENTERPRISE PROFILE

- 89.2 per cent of the MSMEs are run under sole proprietorship form of business organization.

- 55.6 per cent of the MSMEs are below 5 years of existence.

- 82.9 per cent of the MSMEs are in the group of 1-10 employees.

- 79.9 per cent of the MSMEs are started and owned by self.

- Out of 128 manufacturing enterprises, 113 enterprises belong to micro and 15 enterprises belong to small.

- Out of 176 micro enterprises, 116 of them (65.9 per cent) are in the investment limit of Rs. 1,00,000-10,00,000.

- Out of 18 small enterprises, 15 of them (83.3 per cent) are in the investment limit of below Rs.1 crore.

- For Micro Manufacturing Enterprises, Nearness to Raw materials ranked first with a total score of 804.

- For Small Manufacturing Enterprises, Nearness to Raw Materials ranked first with a score of 98.

- For Micro Service Enterprises, Native place of the entrepreneur ranked first with a score of 407.

- For Small Service Enterprises, Native place of the entrepreneur ranked first with a score of 19.
7.2.3 ACCOUNTING SYSTEM

- 86.6 per cent of MSMEs are following unsystematic and incomplete accounting system.

- Majority (84.6 per cent) of the MSMEs in the study area using computerized form of accounting system.

- Majority (68.2 per cent) of the MSMEs using Tally ERP as accounting software to enter the accounting transactions.

- 43.5 per cent of MSMEs consider the use of systematic accounting system will lead to increase in overall cost of operating the enterprise as well as it is a time consuming process.

- 43.7 per cent of the micro enterprises responded that systematic accounting system will lead to increase in overall cost of operating and time consuming process 50 per cent responded that they have lack of accounting skills. This is the reason where they are not following the systematic accounting system.

- Most of the enterprises recorded accounting information for taxation purpose followed by tracking of receivables and payables.

- Majority of the Enterprises irrespective of the categories, they kept cash book followed by sales and purchase book.

- 82.3 per cent of micro enterprises prepared Profit and Loss / Income Statement. 88.8 per cent of small enterprises prepared interest calculation statement on term loan.
• 45 per cent of micro enterprises and 77.7 per cent of small enterprises have submitted their detailed yearly accounts to Income Tax

• 72.7 per cent of MSMEs are using percentage analysis to assess their performance.

• External consultant plays an important role in carrying out most accounting responsibilities in micro enterprises (49.5 per cent).

• 77.3 per cent of MSMEs were dependent on outside experts for tax services.

7.2.4 CAPITAL STRUCTURE

• 91.2 per cent of MSMEs have used both owned and borrowed capital as initial investment.

• 68.9 per cent of MSMEs use both formal and informal sources of borrowed capital.

• 95.3 per cent of enterprises used banks as formal sources of borrowed capital.

• The major problem faced by the MSMEs through formal sources is ‘Too many formalities and procedures’.

• 80.5 per cent of MSMEs use non-institutional as informal sources of borrowed capital.
• The major problem faced by the MSMEs through informal sources is ‘Terms of financing are unclear’.

• 58 per cent of enterprises have availed loan amount in the slab of Rs. 1,00,001 to 5,00,000.

• 75.3 per cent of MSMEs are repaying the loan properly.

• 81.1 per cent are not repaying the loan properly due to lack of financial resources.

• 26.8 per cent of MSMEs received subsidies from the Government in the form of financial, power, VAT and generator subsidy.

7.2.5 WORKING CAPITAL MANAGEMENT – CASH MANAGEMENT

• 71.6 per cent of MSMEs in the survey state that they hold cash for transaction motive that is to conduct their daily business transactions

• 65.4 per cent of MSMEs planning the cash on weekly basis

• 52.1 per cent of MSMEs prepare cash flow statements for planning the cash in their enterprises.

WORKING CAPITAL – RECEIVABLES MANAGEMENT

• Majority (73.7 per cent) of MSMEs in the study are sell their products/services for cash as well as credit sales.

• 51.5 per cent of MSMEs provided credit period below 60 days only to their customers.
• Majority (63 per cent) of MSMEs in the study area confirmed that customers pay the payments promptly within the credit period allowed by them.

• 61.6 per cent of MSMEs in the study area, the customers are forced to allow additional 60 days credit period above the regular credit period allowed.

• 70 per cent of MSMEs in the study are not giving cash discount to its customers.

• 89.6 per cent of MSMEs in the study confirmed that they have credit investigation before sanctioning credit to its customers.

• 65 per cent of MSMEs use financial statement for assessing credit.

• 91.4 per cent of MSMEs use direct method for recovery of bad debts.

**WORKING CAPITAL – PAYABLES MANAGEMENT**

• 57.5 per cent of MSMEs in the study are follow cash as well as credit purchase.

• 54.6 per cent of the MSMEs allowed two months credit period by its suppliers.

• 82.1 per cent of the MSMEs confirmed that have the payment of balance dues within the credit period allowed by its suppliers.

• Out of 31 enterprises 17 (54.8 per cent) enterprises have additional 30 days credit period by its suppliers.
• 65 per cent of MSMEs allowed cash discount from the suppliers.

• Majority (80 per cent) of MSMEs in the study are using Bills as a credit instruments.

WORKING CAPITAL – INVENTORY MANAGEMENT

• 38.7 per cent of MSMEs buy raw materials outside the district but within Tamilnadu

• 59.8 per cent of MSMEs in the study area daily review the inventory levels

• 67 per cent of MSMEs in the study are made restock decision, when the stock is down

• 57.7 per cent of the MSMEs in the study area enterprises are not aware of the inventory control.

• 87.8 per cent of MSMEs in the study area following First In First Out method of inventory control

7.2.6 CAPITAL BUDGETING

• All the MSMEs made decisions on capital investment before and after starting the enterprise.

• 85.6 per cent of the enterprises use the payback method

• Only 2.5 per cent of MSMEs always use capital budgeting methods to evaluate capital projects before making decisions on investment.
7.2.7 FINANCIAL PLANNING

- 85.6 per cent of MSMEs in the study area never prepare any kind of budgets.
- Out of 28 MSMEs, 23 (82.1 per cent) MSMEs prepares master budget
- 82.1 per cent of MSMEs in the study area compares actual with budgets annually.
- 56.6 per cent of micro enterprises and 66.7 per cent of small enterprises have the future plans in terms of sales.
- 66.5 per cent of MSMEs used retaining earnings as a source of additional capital.
- 39.7 per cent of MSMEs have future plans of converting the enterprises into next level

7.2.8 FINANCIAL PROBLEMS

- Out of 17 factors, Inadequacy of working capital – current assets with a value of 0.861 is having a variance of 13.248 is considered most important followed by inadequate assistance from commercial banks with a value of 0.822 is having a variance of 15.541.
7.2.9 HYPOTHESES TESTED

- The chi-square value of 1125 (DF=1100; N=45), p>0.05 is significant at 1100 degree of freedom showing that there is no significant difference among the MSMEs borrowed funds.

- The calculated value of P is 0.381 at 5 percent significant level, there is no significant difference in the variances in the current ratio among the Micro Manufacturing Enterprises.

- The calculated value of P is 0.380 at 5 percent significant level, there is no significant difference in the variances in the liquid ratio among the Micro Manufacturing Enterprises.

- The calculated value of P is 0.397 at 5 percent significant level, there is no significant difference in the variances in the current ratio among the Micro Service Enterprises.

- The calculated value of P is 0.794 at 5 percent significant level, there is no significant difference in the variances in the liquid ratio among the Micro Service Enterprises.

- The calculated value of P is 0.802 at 5 percent significant level, there is no significant difference in the variances in the current ratio among the Small Manufacturing Enterprises.
• The calculated value of P is 0.549 at 5 percent significant level, there is no significant difference in the variances in the liquid ratio among the Small Manufacturing Enterprises.

• The calculated value of P is 0.067 at 5 percent significant level, there is no significant difference in the variances in the gross profit ratio among the Micro Manufacturing Enterprises.

• The calculated value of P is 0.208 at 5 percent significant level, there is no significant difference in the variances in the net profit ratio among the Micro Manufacturing Enterprises.

• The calculated value of P is 0.890 at 5 percent significant level, there is no significant difference in the variances in the gross profit ratio among the Micro Service Enterprises.

• The calculated value of P is 0.819 at 5 percent significant level, there is no significant difference in the variances in the net profit ratio among the Micro Service Enterprises.

• The calculated value of P is 0.910 at 5 percent significant level, there is no significant difference in the variances in the gross profit ratio among the Small Manufacturing Enterprises.
• The calculated value of P is 0.093 at 5 percent significant level, there is no significant difference in the variances in the net profit ratio among the Small Manufacturing Enterprises.

• The calculated value of P is 0.184 at 5 percent significant level, there is no significant difference in the variances in the fixed asset turnover ratio among the micro manufacturing Enterprises.

• The calculated value of P is 0.735 at 5 percent significant level, there is no significant difference in the variances in the capital asset turnover ratio among the micro Manufacturing Enterprises.

• The calculated value of P is 0.842 at 5 percent significant level, there is no significant difference in the variances in the fixed asset turnover ratio among the micro service Enterprises.

• The calculated value of P is 0.812 at 5 percent significant level, there is no significant difference in the variances in the capital asset turnover ratio among the micro service Enterprises.

• The calculated value of P is 0.591 at 5 percent significant level, there is no significant difference in the variances in the fixed asset turnover ratio among the small manufacturing Enterprises.
• The calculated value of P is 0.210 at 5 percent significant level, there is no significant difference in the variances in the capital asset turnover ratio among the small manufacturing Enterprises.

• The calculated value of P is 0.740 at 5 percent significant level, there is no significant difference in the variances in the debt equity ratio among the micro manufacturing Enterprises.

• The calculated value of P is 0.874 at 5 percent significant level, there is no significant difference in the variances in the capital employed ratio among the micro manufacturing Enterprises.

• The calculated value of P is 0.511 at 5 percent significant level, there is no significant difference in the variances in the debt equity ratio among the micro service Enterprises.

• The calculated value of P is 0.795 at 5 percent significant level, there is no significant difference in the variances in the capital employed ratio among the micro service Enterprises.

• The calculated value of P is 0.827 at 5 percent significant level, there is no significant difference in the variances in the debt equity ratio among the Small Manufacturing Enterprises.
The calculated value of P is 0.148 at 5 percent significant level, there is no significant difference in the variances in the capital employed ratio among the Small Manufacturing Enterprises.

7.2.10 BUSINESS ENVIRONMENT

- Out of the 20 micro environmental factors analyzed, DIC is always supportive to the enterprise with a value of 0.871 is having a variance of 13.24 per cent is considered most important, followed by Raw Materials are available on credit basis with a value of 0.865 is having a variance of 15.102 per cent.

- Out of the 42 macro environmental factor analyzed, MSME provide employment to more people with a value of 0.877 is having a variance of 10.244 per cent is considered most important, followed by Entrepreneurs hailing Form Entrepreneurial Family Are More Efficient with a value of 0.829 is having a variance of 11.531 per cent.

7.3 CONCLUSION

The MSME sector has been identified as having the potential to contributor to the economic growth of the country. In order to achieve this
objective, it is important that the sector is well managed and that there are sufficient financial management skills in the sector.

From the study it has been concluded that, inspite of the importance given to financial management, it is unfortunate to find that these practices are often inadequate and lacking among MSMEs in the Tirunelveli Municipal Corporation. Except for yearly taxation returns and some form of financial statements are infrequently used. Past Experience and intuition play an important role in financial decision-making. The non-use of modern financial tools and techniques for decision making has resulted in a variety of financial problems. Therefore raising the efficiency of financial management is considered an effective tool for improving and increasing profitability of MSMEs. Therefore, measures should be taken to familiarize the owner-managers with modern financial tools and techniques and their benefits to be derived from their use through the provision of training, short term courses, workshops by the development agencies. Hence, the study proved that there is a wide gap between theory of financial management and in actual practices by the Micro, Small and Medium Enterprises in the Tirunelveli Municipal Corporation.
7.4 RECOMMENDATIONS

i. The officials of District Industries Centre (DIC) can come up with specific guidelines and provide forms for recording accounting information by Micro and Small Enterprises.

ii. Training programme must be organized to the owners creating awareness and importance of keeping proper books of accounts.

iii. Record keeping in MSMEs must be made mandatory to improve their accounting practices. This will not only ensure the proper declaration of income but also will increase tax revenue to the government. Further, it will also make available proper data for national income accounting which usually influences major government policies.

iv. The MSME enterprises is not equipped with proper managerial and accounting staff. There is non-availability of financial and accounting data. A proper and efficient staff will prove to be very helpful not only in maintenance of records but also in managing the creditors, debtors, banking operations and also in better tax planning. It is suggested that, there is a need to employ a trained and qualified staff, for the accounting and financial work so that there is proper management of funds and accounting records in the enterprise.
v. The latest methods of accounting through computers can also be employed by the MSME entrepreneurs, so that the data can be compiled and maintained for various years, and can be used for planning the future course of actions.

vi. Simple loan application forms in bilingual formats will be made available for loans to micro enterprises.

vii. The bank officials must ensure that the entrepreneurs get loan amount without any delay and they also need to reduce the formalities regarding the loan sanctioning.

viii. While granting the loans, emphasis should be given on economic viability of the enterprises instead of amount of security offered against the loans.

ix. Awareness can be created to the owners regarding the informal sources of finance. Because the non-institutional sector is not subsidized by the government.

x. Written and formalised agreements before funding from non-institutional sources of finance in MSMEs must be made mandatory.
xi. The preparation of periodical working capital reports enables the MSMEs to properly monitor and control their working capital. All MSME units can adopt such a system for better management of working capital.

xii. There is no systematic process to determine the optimum balance of cash in the MSME units. Hence, it is suggested that the units must follow a proper method of determining the cash requirement, so that there is no waste of resource and loss of opportunity. This can be done by proper cash planning, budgeting and using the modern methods of determining of cash balance.

xiii. The inventory levels should be periodically reviewed so as to ascertain stock position in order to avoid the cost of stock outs. The basis for fixing maximum and minimum inventory levels of raw materials shall always be on scientific. Because most of the MSMEs in the study area are not aware of the inventory control methods.

xiv. Knowledge of the stock optimization strategies like the Economic Order Quantity should be adopted by the MSMEs to determine the right quantity of materials.
xv. A monthly report of overdue can be regularly prepared in order to improve the collection efficiency and avoid bad debts creation.

xvi. The MSME entrepreneurs do not devote much time on the financial planning and strategy formulation. They are not ready to take up new lines of business. Bound by the time and resource constraints, they continue with their routine operations only. They do not spend their time in issues like asset improvement, maintenance of properties, capital management for expansion. It is suggested that the entrepreneurs must give time for formulating formal plans related to not only finance, but also other areas of operations, so that they can be more focused and make the best out of their resources.

xvii. The study has revealed that majority of the enterprise organize as sole proprietorship, the proportion of company form of organisation has been very less. In a way this practice is an obstacle in high level of activities and growth of MSMEs. The lack of resources and managerial staff, lack of credit worthiness, lack of risk taking ability due to unlimited liability and conservative attitude, lack of confidence among the financial institutions and banks while granting loans and other such constraints can be traced to the form of organisation that is followed. The MSME enterprises must try to
increase their level of activity and resources, by organizing themselves preferably into company form of organisations, if this is not possible at the time of inception, then an effort should be made for this eventually.

xviii. There is a complete absence of professional management in the MSMEs, most of the industries are managed in a casual manner. It is suggested that the entrepreneurs must try to liaison with the management institutions. They must promote the training of students in their industries so that a double fold benefit can be achieved. One is, that the MSMEs will get professional advice and help at a low cost. The other advantage is, that the students will also get a platform to develop their managerial ability and skills.

7.5 SUGGESTED TOPICS FOR FURTHER RESEARCH

The researcher has identified the following topics for future research:

i) Information and Communication Technology usage and its impact on profitability of Micro, Small and Medium Enterprises.

ii) Human Resource Management in Micro, Small and Medium Enterprises

iii) Credit Rating for Micro, Small and Medium Enterprises
iv) Study on Cluster Development Programme in Tirunelveli

v) E-Commerce Applications among Micro, Small and Medium Enterprises

vi) Adoption of Customer Relationship Management (CRM) Initiatives among the MSMEs and its impact.