Measurement of Enterprise Development and Its Determinants in India: An Interstate Analysis

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Measurement of Enterprise Development and Its Determinants in India: An Inter-state Analysis

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Abstract

Micro Small and Medium Enterprise sector, contributes significantly to the manufacturing output, employment and exports of the Indian economy. Institutional support (access to credit and skill formation) provided by the government played a catalytic role in the development of this sector. The paper attempts to measure a comprehensive index on enterprise development to shed some lights on inter-state variation in the level of enterprise development in India. In addition, some of the socio-economic determinants of varying level of enterprise development of states have been identified in the study. A wide inter-state variation is evident, as only four states (Gujarat, Punjab, Mizoram and Tamil Nadu) have been classified under the category of high level of enterprise
development, all the other 18 states out of 22 states belong to the medium (7 states) or lower stratum (11 states) in the ladder of enterprise development. Multiple regression analysis suggest that the access to credit among the institutional support related variables and literacy rate of the state among the state specific variables significantly influences the level of enterprise development in Indian state. Thus a dual role of the government is expected to address the problem of enterprise development of the states: a facilitator role in outreaching access to entrepreneurial finance by the financial institutions and an active role in the promotion of literacy drive measures so as to make efficient utilization of finance in its desirable sector.

Keywords: MSME, Index on enterprise development, Institutional support, Access to credit, Multiple regression, India

JEL Classification: L26, H81

Introduction

Entrepreneurship constitutes the main driving force in the process of economic development of the country as they bring resources together in an unusual combination by introducing innovation in the process of production. In fact, with the advent of innovation, entrepreneurs either creates new wealth-producing resources or
endows existing resources with enhanced potential for creating wealth (Drucker, 1985). This innovation is considered as the main guiding principle as which ultimately distinguishes entrepreneurs from other class of businesspersons. It is also possible to classify entrepreneurs depending on its size of operation, viz., micro, medium, small and intrapreneurs. Considering micro, small and medium enterprises (MSMEs) as a group, it is evident that this sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country in 2011-12. The sector has a potentiality of generating employment of about 595 lakh persons in over 261 lakh enterprises throughout the country (Government of India, 2012). In addition, micro-enterprises helps the process of economic diversification, utilization of otherwise dormant resources, balanced regional development, productivity of and demand for wage goods, equitable distribution of income and widening the base of entrepreneurial supply (Awasthi, 2004). However, there is enormous variation in the development of such enterprises across states of India.

Considering all registered units, Tamil Nadu, Gujarat, Uttar Pradesh

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1 New classes of entrepreneurs coming to the fore in large industrial organizations are known as intrapreneurs.
and Kerala have more than 50 percent of all working units in the country. Of the total working enterprises, micro enterprise retained a predominant share of 94.94 percent and it is followed by small (4.89 percent) and medium (0.17 percent) enterprises. This distribution of enterprises has an implication on the behavior of several economic ratios. Graduating from micro to small and to medium enterprises has a favourable impact on per unit value of major economic parameters, i.e., employment, investment and output (Ministry of MSME, 2011).

However, the micro-entrepreneurs are bound to operate their enterprises on a micro level and are less inclined to undertake innovation due to paucity of funds in the imperfectly developed credit market in the economy. Provision of adequate supply of credit promotes a sense of sustainable entrepreneurship and, thereby, helps in graduating from micro to small and medium enterprises (Ahirrao and Chaugule, 2010; Bharti and Shylendra, 2011; Kiiru, 2007; Rosengard, 2004). It can ultimately accelerate the path of rural industrialization of the economy. In order to accelerate the path of development, it is necessary to establish a linkage between microenterprises and microfinance. In fact, the importance of microfinance is embedded in the definition of microenterprise as “firms owned by the self-employed poor that use
microfinance” (Schreiner and Leon, 2001). Available empirical evidences suggest that microfinance is an important component in microenterprise finance and both of them share common objectives of poverty alleviation and creation of employment opportunities for the rural poor. Further, micro credit enables a micro entrepreneur to build capacity, trust and innovation (Ahirrao and Chaugule, 2010; Bharti and Shylendra, 2011) Even though the provision of microfinance is nomenclature as supporting conditions to entrepreneurship development, but some other crucial determinants are identified as: competence and exposure through skill formation, marketing of products, technological access, infrastructure development, targeted state policies, general state development policies and state characteristics (Sharma and Singh, 1980; Woldie and Adersua, 2004; Belwal and Singh, 2008; Al-Sadi et al, 2008; Ravi, 2009; Chanu and Teronpi, 2011-12).

Under this backdrop, an attempt has been made in this paper to examine the inter-state variation in the enterprise development by constructing a composite index of enterprise development. The composite index encompasses three broad indicators of enterprise development, viz., penetration of enterprises, generation of employment and productivity of such enterprises. In addition, the role of institutional support mechanism (i.e., access to credit and
impacting skill development programme) and state specific characteristics are indentified in this paper to explain the dynamics of inter-state variation in the enterprise development.

**Conceptual framework**

Entrepreneurship development through institutional support mechanism (such as microfinance access and skill development programmes) has an important bearing on the rural industrialization and thereby, ultimately, promotes rural development. However, this causality is a complex process. There might be indirect channels by which one reinforces the other. It has been argued that "without integration of credit services with marketing initiative, the beneficiaries of microfinance services can hardly be expected to graduate themselves to micro entrepreneurs" (Guha, 2007). Thus capital is recognized as the most important prerequisites to establish an enterprise. Microfinance is found as the viable source of entrepreneurial finance to those of potential collateral poor entrepreneurs. Provision of adequate finance with implementation of skill development schemes are devised to enhance the capability of such entrepreneurs in understanding the innovative strategies to be implemented in the changing scenario of operation of business. The practice of sustainable entrepreneurship is expected to widen the horizon of diversified economic opportunities and, in turn, has
an important bearing on employment generation and enhancement of income generation activities. The economic opportunities created by entrepreneurship development are to be made available across the entire spectrum of population including the vulnerable sections of the society. To ensure equal access, it is necessary to strengthen human capabilities to enable the people to qualify for productive employment. The enhancement of economic opportunities through entrepreneurship development has indirect effect upon the attainment of education and health opportunities and this, in turn, enhance the capability. It is seen that the livelihood promotion entrepreneurship development programmes make a short term impact on poverty by creating self employment whereas growth oriented micro enterprise development programmes make long term impact on poverty (Asian Development Bank, 1997). Moreover, rural entrepreneurship is needed as it is well recognized that entrepreneurship precedes industrialization. Rural industrialization is viewed as the effective means of accelerating the process of rural development (Khanka, 2007). The causal link between entrepreneurship development through institutional support mechanism and rural development is depicted in figure 1.
Figure 1: Linkage between Entrepreneurship Development and Rural Industrialization

Data and Methodology
An attempt has been made in the paper to examine the level of enterprise development across states of India and its various socio-economic determinants influencing such development. In the first stage, a comprehensive index on enterprise development (IED) is constructed that will capture information on several indicators of enterprise development viz. penetration of enterprises, generation of employment opportunities and productivity of such enterprises. For each indicator, the performance of the state is evaluated in respect of the national average. For instance, to measure penetration of enterprises, at first, the share of number of working MSME of a state to the country’s total number of working MSME is computed. The indicator of outreach of enterprises is then worked out as a ratio between the share of state in working enterprises and the share of total enterprises (i.e., working, closed and non-traceable) of the state. The score higher than one indicates higher enterprises in operation vis-à-vis proportion of total enterprises in the state. In other words, the larger the distance from one greater is the
enterprise development in the state. For a clear exposition, the description of indicators used in the construction of the IED is given in the table 1.
Table 1
Description of Indicators of Enterprise Development and its Data Sources

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator of penetration of enterprises (I$_1$)</td>
<td>Share of working enterprises of the state as a proportion of the share of total enterprise (working, closed and non-traceable) of the state</td>
<td>Census of MSME (2011)</td>
</tr>
<tr>
<td>Indicator of employment generation of MSME (I$_2$)</td>
<td>Share of employment generation in MSME of the state as a proportion of share of unemployment population of the state</td>
<td>Census of MSME (2011), Employment and unemployment survey (2011-12)</td>
</tr>
<tr>
<td>Indicator of productivity of MSME (I$_3$)</td>
<td>Share of gross value added of MSME of a state as a proportion of share of NSDP of the state</td>
<td>Census of MSME (2011), Economic Survey (2012-13)</td>
</tr>
</tbody>
</table>

The comprehensive index on enterprise development (IED) can be written as

$$ IED_s = \frac{\sum_{i=1}^{3} I_{is}}{3} $$

We have used the same weight for each indicator to construct the index. Depending on the values of IED, states are categorized into three categories. States with an IED value below 1 are considered to have a low level of enterprise.
development, those in between 1 to 2 a medium level and those above 2 a high level.

In the second stage, the study used Ordinary Least Square Estimation technique to identify the determinants of enterprise development. In this estimation technique the state-specific index of enterprise development is used as the dependent variable. The specification of the empirical model is given by

\[ IED_i = \beta_0 + \beta_1 LR_i + \beta_2 NSDP_i + \beta_3 PARTICIPANT_i + \beta_4 GRANT_i + \beta_5 ACCESS_i + \beta_6 LOAN_i + \varepsilon \]

where \( \beta_i (i = 1, 2, \ldots, 6) \) are the respective coefficients

\( IED_i \) represents the estimated values of index of enterprise development of a state

LR represents literacy rate of the state

NSDP represents net state domestic product of the state
PARTICIPANT represents number of participants in MEDP training programme\(^2\) out of total SHG members

GRANT represents average grants received by rural self-employed training institutes.

ACCESS represents percentage of working enterprise in the state having access to loan.

LOAN represents the average amount of loan received by the enterprise.

**Enterprise Development in India: An Inter-State Analysis**

The MSME sector in India significantly contributes to the value addition of manufacturing output, generation of employment opportunities and earning potentiality through exporting of such

\(^2\) The Micro Enterprise Development Programme, launched by NABARD in 2006, is intended to nurture the entrepreneurial talents of members of mature SHGs to set up and run micro enterprises as a livelihood option in farm or non-farm sector, either on individual basis or on group basis. The dominant activities in agriculture and allied sector covered under NABARD sponsored Micro Enterprise Development Programme (MEDP) for skill Development were animal husbandry, bee-keeping, mushroom cultivation, vermi-compost/organic manure, horticulture, floriculture, etc. whereas predominant on-farm activities taken up under MEDPs were readymade garments, Agarbatti-making, embroidery, bamboo-craft, beauty parlours, etc.
items. The distribution of enterprises in rural and urban India suggest that urban areas is observed to have a larger share of registered MSME sector as compared to rural areas in respect of all the major parameters such as number of enterprises, employment, investment in plant and machinery, fixed investment and gross output. However, in terms of employment intensity (i.e., employment per unit of investment in plant and machinery and fixed investment) and productivity of output (i.e., gross output per one lakh of fixed investment), rural areas perform better than urban areas. There is a wide inter-state disparity in the performance of several economic parameters. In terms of number of working enterprises, Tamil Nadu (14.95 percent), Gujarat (14.70 percent), Uttar Pradesh (12 percent) and Kerala (9.60 percent) accounted for more than 50 percent of the MSMEs in the country. Two leading states in the development of enterprises, viz., Tamil Nadu and Gujarat also dominated in terms of employment generation of such enterprises. Some states (Tamil Nadu, Maharashtra, Punjab, Andhra
Pradesh, Haryana and West Bengal) experiencing comparatively
ing more labour intensive growth of MSME sector as the share of
employment in these states are found to be larger than the share in
the number of enterprises. In terms of fixed assets and investment in
plant and machinery, Gujarat occupies the leading position in both
these indicators and it is followed by Maharashtra and Tamil Nadu.
However, given the positive relationship between the firm size and
productivity, Maharashtra accounted a highest share in the output in
MSME sector (15.65 percent) even though it has a relatively lower
share in the total number of such enterprises (5.54 percent).
However, all of the available secondary data represents only the
partial information on enterprise development in India. In the study,
the depth of the level of enterprise development in India is
examined by constructing a composite index of enterprise
development encompassing penetration, employment generation
and productivity indicators. The values of each indicator across the
states of India along with their ranks are presented in Table 2.
Table 2

Ranking of the states on the basis of the indicators of enterprise development

<table>
<thead>
<tr>
<th>State</th>
<th>$I_1$</th>
<th>Rank $I_1$</th>
<th>$I_2$</th>
<th>Rank $I_2$</th>
<th>$I_3$</th>
<th>Rank $I_3$</th>
<th>IED</th>
<th>Rank IED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>1.343</td>
<td>1</td>
<td>0.605</td>
<td>16</td>
<td>0.456</td>
<td>17</td>
<td>0.801</td>
<td>15</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>0.975</td>
<td>15</td>
<td>0.262</td>
<td>19</td>
<td>0.310</td>
<td>20</td>
<td>0.516</td>
<td>20</td>
</tr>
<tr>
<td>Assam</td>
<td>0.941</td>
<td>18</td>
<td>0.520</td>
<td>17</td>
<td>1.217</td>
<td>8</td>
<td>0.893</td>
<td>14</td>
</tr>
<tr>
<td>Bihar</td>
<td>1.018</td>
<td>11</td>
<td>0.084</td>
<td>22</td>
<td>0.247</td>
<td>22</td>
<td>0.450</td>
<td>22</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>0.764</td>
<td>22</td>
<td>0.934</td>
<td>11</td>
<td>0.387</td>
<td>18</td>
<td>0.695</td>
<td>17</td>
</tr>
<tr>
<td>Gujarat</td>
<td>1.149</td>
<td>2</td>
<td>10.479</td>
<td>1</td>
<td>1.494</td>
<td>4</td>
<td>4.374</td>
<td>1</td>
</tr>
<tr>
<td>Haryana</td>
<td>0.988</td>
<td>14</td>
<td>2.944</td>
<td>5</td>
<td>1.467</td>
<td>5</td>
<td>1.799</td>
<td>5</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>1.025</td>
<td>8</td>
<td>1.150</td>
<td>9</td>
<td>2.207</td>
<td>2</td>
<td>1.461</td>
<td>7</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>0.947</td>
<td>17</td>
<td>0.223</td>
<td>21</td>
<td>0.372</td>
<td>19</td>
<td>0.514</td>
<td>21</td>
</tr>
<tr>
<td>Karnataka</td>
<td>1.023</td>
<td>10</td>
<td>2.344</td>
<td>6</td>
<td>1.133</td>
<td>9</td>
<td>1.500</td>
<td>6</td>
</tr>
<tr>
<td>Kerala</td>
<td>1.061</td>
<td>5</td>
<td>1.006</td>
<td>10</td>
<td>0.930</td>
<td>12</td>
<td>0.999</td>
<td>12</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>0.996</td>
<td>12</td>
<td>0.696</td>
<td>15</td>
<td>0.621</td>
<td>15</td>
<td>0.771</td>
<td>16</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>0.765</td>
<td>21</td>
<td>1.539</td>
<td>8</td>
<td>0.942</td>
<td>11</td>
<td>1.082</td>
<td>10</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>1.045</td>
<td>7</td>
<td>0.473</td>
<td>18</td>
<td>0.295</td>
<td>21</td>
<td>0.605</td>
<td>18</td>
</tr>
<tr>
<td>Mizoram</td>
<td>1.073</td>
<td>3</td>
<td>5.053</td>
<td>2</td>
<td>0.899</td>
<td>13</td>
<td>2.342</td>
<td>3</td>
</tr>
<tr>
<td>Odisha</td>
<td>1.065</td>
<td>4</td>
<td>0.699</td>
<td>14</td>
<td>0.978</td>
<td>10</td>
<td>0.914</td>
<td>13</td>
</tr>
<tr>
<td>Punjab</td>
<td>0.892</td>
<td>19</td>
<td>4.768</td>
<td>3</td>
<td>2.290</td>
<td>1</td>
<td>2.650</td>
<td>2</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>1.025</td>
<td>9</td>
<td>1.582</td>
<td>7</td>
<td>0.794</td>
<td>14</td>
<td>1.134</td>
<td>9</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>1.046</td>
<td>6</td>
<td>3.864</td>
<td>4</td>
<td>1.272</td>
<td>7</td>
<td>2.061</td>
<td>4</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>0.889</td>
<td>20</td>
<td>0.874</td>
<td>12</td>
<td>1.324</td>
<td>6</td>
<td>1.029</td>
<td>11</td>
</tr>
<tr>
<td>Uttarakhand</td>
<td>0.993</td>
<td>13</td>
<td>0.837</td>
<td>13</td>
<td>1.809</td>
<td>3</td>
<td>1.213</td>
<td>8</td>
</tr>
<tr>
<td>West Bengal</td>
<td>0.963</td>
<td>16</td>
<td>0.251</td>
<td>20</td>
<td>0.470</td>
<td>16</td>
<td>0.561</td>
<td>19</td>
</tr>
</tbody>
</table>


A wide inter-state disparity is visible in the individual indicators of enterprise development. In respect of the penetration of enterprises, states like Andhra Pradesh, Gujarat, Meghalaya, Mizoram, Odisha, Kerala and Tamil Nadu belong to the category of medium penetration of enterprises (as shown in column 2 of Table 2). In fact, the share of working enterprises in these states is observed to be on average higher in comparison to the share of total enterprises which includes working, closed and non-traceable units. All the other states fall in the category of lower penetration of enterprises in recent times. The states in the lower end of the tail are mainly confined to the north-eastern, central, northern and eastern region. Inter-state disparity in the generation of employment opportunity is represented in column 4 of Table 2. It is evident that in Gujarat, the share of employment in MSMEs is found to be ten times higher than the share of unemployment population in state. In another five states (Mizoram, Punjab, Tamil Nadu, Haryana and Karnataka), the MSME sector has able to address unemployment
problem in these states by generating employment opportunities in this sector. However, actual penetration of microenterprises and implications of labour intensive growth of MSME to generate employment opportunities may not truly reflect their performance in value addition of output. The composition of the enterprises in Punjab and Himachal Pradesh are more skewed in favour of relatively large sized enterprises, and thereby the share of gross output of these states are observed to be double compared to the share of NSDP of the states. A poor rating of productivity of such enterprises are observed in central, eastern and north-eastern states. The combined measure of penetration of enterprises, generation of employment opportunities and productivity is measured by an index of enterprise development. In terms of IED, it is evident that only four states (Gujarat, Punjab, Mizoram and Tamil Nadu) have been classified under the category of high level of enterprise development. Seven states (Haryana, Karnataka, Himachal Pradesh, Uttarakhand, Rajasthan, Maharashtra and Uttar Pradesh) have
fulfilled the criteria of medium level of enterprise development as the value of IED lying in between 1 and 2. All the other states belong to the lower stratum in the ladder of enterprise development.

Determinants of Enterprise Development in India
The multi-dimensional aspects of determining enterprise development have been conceptualized by considering six broad indicators, two from each aspect of state specific characteristics (literacy rate and NSDP), level of financial support to MSMEs (loan access and loan usage) and participation of skill development programme (participants in MDEP training programme, training grants to skill development institutes). To examine the impact of these factors on enterprise development we have made a linear regression analysis taking the index of enterprise development (IED) as the dependent variable and the indicators of institutional support and state specific characteristics as the independent variables. The regression result is shown in table 3.

Table 3
Regression Result of Determinants of Enterprise Development
The results of the Regression Model identify the following broad determinants of enterprise development.

State specific characteristics: Formation of human capital plays an important role in the development of enterprises of a state. The level of education of the state which is measured by the literacy rate is found to be positively associated with the enterprise development. The result is found statistically significant at 1 per cent level of significance. Economic condition of the state is another important state specific characteristic which can influence enterprise development. In fact, economic status of the state, as measured by the net state domestic product of the state, may develop demand side impetus for the development of such enterprises in the state. However no such significant effect of state wealth on enterprise development is established in the study.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>-3.641327</td>
<td>1.592429</td>
<td>-2.286649</td>
<td>0.0372</td>
</tr>
<tr>
<td>LR</td>
<td>0.072683</td>
<td>0.021810</td>
<td>3.332480</td>
<td>0.0045</td>
</tr>
<tr>
<td>NSDP</td>
<td>1.71E-07</td>
<td>6.62E-07</td>
<td>0.258335</td>
<td>0.7997</td>
</tr>
<tr>
<td>PARTICIPANT</td>
<td>103.2469</td>
<td>103.5927</td>
<td>0.996661</td>
<td>0.3347</td>
</tr>
<tr>
<td>GRANT</td>
<td>0.005888</td>
<td>0.012044</td>
<td>0.488883</td>
<td>0.6320</td>
</tr>
<tr>
<td>ACCESS</td>
<td>8.953098</td>
<td>2.653345</td>
<td>3.374268</td>
<td>0.0042</td>
</tr>
<tr>
<td>LOAN</td>
<td>16.26631</td>
<td>7.803103</td>
<td>2.084594</td>
<td>0.0546</td>
</tr>
</tbody>
</table>

Observations: 22
R-squared: 0.5534

Source: Author’s calculation using E-Views econometric software.
Skill development programme: The Micro Enterprise Development Programme (MEDP) is one of the training programme launched by NABARD to nurture the entrepreneurial talents of members of mature SHGs to promote micro enterprises on individual or group basis. To consider the implications of such programme on the enterprise development of states, the study considered number of participants in MEDP training programme out of total SHG members of a state (PARTICIPANT). However, the study justifies no significant implications of imparting training programme on the development of enterprises in the state. Rural self employment training institutes (RSETIs) provide intensive short term residential self employment training programme to rural youth for taking up self employment initiatives and skill up upgradation for running their microenterprises successfully. The average grants received by rural self employed training institutes of a state (GRANT) is considered as an independent variable to examine its implications on enterprise development of a state. However, its implications is not statistically supported in our study.

Access to loan: Credit is considered as one of the precondition of the process of enterprise development of as state. The access to credit to the enterprises of a state is approximated by considering percentage of working enterprise in the state having access to institutional sources of credit. A positive and significant coefficient
signifies that states with poor institutional credit delivery mechanism fail to satisfy required credit requirements and thus find it difficult to start up or running enterprises in the state. Similarly, higher the average amount of loan received by the enterprise (LOAN) greater is the possibility of enterprise development of the state.

Conclusions and Policy Implications:
MSME sector, as an engine of growth, contributes significantly to the manufacturing output, employment and exports of the Indian economy. However, the development of the sector is unevenly distributed across states of India. Empirical evidences based on a comprehensive index on enterprise development suggest that a majority of 18 states out of 22 states in our analysis belong to the medium (7 states) or lower stratum (11 states) in the ladder of enterprise development. Only four Indian states (Gujarat, Punjab, Mizoram and Tamil Nadu) have been classified under the category of high level of enterprise development. To explain the variation, an attempt has been made in this study to identify some of the socio-economic determinants influencing the development of the sector in the state. Empirical results using Multiple Regression Analysis suggest that the access to credit among the institutional support related variables and literacy rate of the state among the state
specific variables significantly enhances the enterprise development of the state.

In the backdrop of empirical evidences, the study recommends for facilitator role of the government so as to outreach the entrepreneurial finance by encouraging financial institutions to exploit the untapped potentiality of the market. It has been evident that a gradual transformation from micro to small and to medium enterprises has favourable implications on per unit value of major economic parameters, i.e., employment, investment and output. In the process of transformation, access to credit is considered as important barriers in the imperfectly developed credit market in the economy. The policy of banking outreach in unbanked areas and priority sector lending are instrumental in channelization of credit to SSIs in pre-liberalisation era. However, a reversal of the policy in recent times is reflected in the implementation of specialized branch for SSIs, cluster-based approach for financing the sector and reorientation of priority sector lending policy. However, outreach of entrepreneurial finance without any resort to financial literacy may result inefficiency in the utilization of the credit. In this context, instead of becoming a facilitator, the government should play an active role in the drive of literacy programme of the state so as to make better utilization of fund in the desired direction.
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