

## **Efficacy of MSME Funding Programs in the Food Processing Sector of Bengaluru, Karnataka**

**M.C.Yadunandan**<sup>1</sup>

**Dr.G.Karthikeyan**<sup>2</sup>

<sup>1</sup>*Ph.D. (Part-Time) Research Scholar, A.V.C. College (Autonomous), Mannampandal, Mayiladuthurai District, Tamilnadu (Affiliated to Bharathidasan University, Tiruchirapally)*

<sup>2</sup>*Assistant Professor of Commerce & Management; Research Adviser, A.V.C. College (Autonomous), Mannampandal, Mayiladuthurai District, Tamilnadu (Affiliated to Bharathidasan University, Tiruchirapally)*

### **ABSTRACT:**

To fill their financial gaps, small and medium-sized businesses (MSME) frequently rely on loans and gifts from friends and family. To make up for this, it is essential that the expert look at the effectiveness of MSME funding programs in Bengaluru, focusing especially on the food manufacturing industry. The main goal of the study is to assess the effectiveness of MSME financing programs for the food processing sector in the Bengaluru district of the Indian state of Karnataka.

**Key words:** Issues of Entrepreneurs, Food Processing, and Micro, Small, and Medium-Sized Enterprises

### **INTRODUCTION:**

FPI firms face challenges due to poor infrastructure and a lack of qualified workers, hindering banks from extending credit to SMEs. Issues with hiring, promotion, and compensation are severe, and financial institutions are more likely to provide money to FPI afterward. Assistance in securing bank loans is desperately needed for SMEs, as greater capital is required for successful credit exit. Small and medium-sized businesses face challenges in securing bank financing due to a lack of trust in financial institutions. Alternatives include raising money through family and friends, using existing assets, or obtaining loans. Access to capital remains a

significant issue for SMEs in the public sector. Traditional lending institutions, trade credit, and personal loans are common sources of funding, but private lenders often exploit their practices. Small and medium-sized businesses in India face debt cycles due to inadequate credit provision from commercial banks and locations.

### **OBJECTIVES:**

1. To understand what makes the food processing business and to determine if there is a lack of official ways to borrow money, you can consider the following steps:
2. To understand key components of food processing business, including sourcing, production, quality control, packaging, distribution, marketing, and sales.
3. To analyze food processing MSMEs' financing needs by examining operational costs, capital investments, and expansion plans to identify funding gaps.
4. To investigate official borrowing options for MSMEs in the food processing sector, researching policies, programs, and requirements, and examining terms and conditions.
5. To engage food processing MSMEs in Chennai through surveys and interviews to gather insights on loan and financial support challenges.
6. To evaluate banks and financial institutions' support for food processing MSMEs, considering factors like loan approval rates, interest rates, collateral requirements, and funding accessibility.
7. To identify gaps and challenges faced by food processing MSMEs in accessing official borrowing options, including complex application procedures, lack of awareness, high collateral requirements, and stringent eligibility criteria.
8. To recommend improvements for food processing MSMEs to improve access to funds, including streamlining loan applications, raising awareness, reducing collateral requirements, and reducing collateral requirements.
9. To gain insights into financing landscape for food processing MSMEs in Chennai, determining benefits from banks and financial institutions, benefiting policymakers, lenders, and business owners.

### **NEED FOR THE STUDY:**

The study on the issues and problems faced by MSMEs in the food processing field in Bengaluru is important for several reasons:

1. India's food processing sector faces low processing levels, despite being a major producer.
2. Understanding MSMEs' challenges can help identify strategies to increase efficiency.
3. Food processing sector has significant economic potential; MSMEs must address challenges to promote growth, entrepreneurship, and job creation.
4. Food safety and quality are crucial; identifying MSMEs' issues improves standards, reduces losses, and enhances processed food products.
5. Increasing food sector processing can boost value addition, enabling MSMEs to tap domestic and international markets. Addressing financial challenges and developing targeted policies can boost exports.
6. Strengthening food processing industry promotes sustainable agriculture, rural development, and reduces post-harvest losses, improving livelihoods and income generation.
7. This research study analyzes MSMEs' challenges in the food processing industry, aiming to inform policymakers, financial institutions, and stakeholders on effective strategies and support mechanisms to unlock potential in Bengaluru and beyond.

### **REVIEW OF LITERATURE:**

The review of literature provides valuable insights into the financial problems faced by the food processing industry in India, particularly in the context of MSMEs. Here are some key findings from the reviewed studies:

Mahajan's (2011) study in Kolhapur District emphasizes financial planning and considerations in food processing industry investment decisions, revealing government-run loans are generally easy to obtain, but lengthy application processes and loan forgiveness policies deter farmers.

Matta's (2017) study on Gujarat's food chain highlights credit shortages, inaccessibility,

fragmented market structure, and large company dominance, emphasizing the need for better organization in the primary processing sector.

Singh et al. (2012) highlighted India's primary food processing industry's significance in the fruit and vegetable sector, highlighting its strong base and weak backward and forward linkages.

Zia's (2016) study at Aligarh Muslim University highlights the link between agriculture and food processing for India's business goals, acknowledging government's Make in India initiative, and requiring improved supply chain management, skilled workers, and policy interventions.

Mehta's (2012) study on Chennai's agro-processing industry found less than 49% received cash assistance, highlighting the need for streamlined loan processes and low-interest loans.

### **REVIEW OF LITERATURE:**

Literature review suggests several hypotheses for research guidance.

**H01:** Gender doesn't significantly impact formal credit facilities in food processing.

**H02:** Loan allocation to MSMEs in food processing business unrelated to challenges.

**H03:** Food processing businesses' financial impact does not affect buyer issues.

**H04:** MSME financing plans don't significantly impact food processing businesses.

The information lacks specific details on population and sampling methodology for a study on MSMEs in Bengaluru food processing sector. A representative sample could be selected through interviews, surveys, or other methods.

### **POPULATION:**

Most of the people in Bengaluru, having FPI as MSMEs.

### **SAMPLING FRAME**

Research samples from FPI group of CEOs in SMEs in food processing industry are used as a representative source list for ongoing studies.

### **UNIT EXAMPLE**

A crucial step in planning is deciding on a model unit, which can be a real place or a person, like MSME food processing enterprises in Bengaluru District.

**SAMPLE SIZE:**

Model size is directly linked to high accuracy studies and real population numbers, making this critical evaluation to ensure correct architecture meets durability and adaptability standards.

$$NS = 1+N*2$$

S = sample size

N = population size

e = error (at a significance level of 0.05)

$$\text{Sample Size: } = 1000 / (1 + 10000.050.05)$$

Three hundred twenty people were chosen to be part of the study.

An organized questionnaire was an essential tool to get basic information from peoples—a sample of respondents from MSMEs (food processing businesses). The form covered a wide range of topics about MSMEs.

**CONCLUSIONS AND SUGGESTIONS:****Suggestions:**

Raising MSME awareness about financing policies for food processing industry through workshops, seminars, and training programs to educate entrepreneurs. MSMEs must address internal issues to improve access to finance, including proper collateral requirements and transparent accounting systems, collaborating with financial institutions. MSME departments should support new start-ups in food processing sector through incentives, finance, and mentorship programs, contributing to economic development.

**Scope for further study:**

Study examines financial institutions' effectiveness in supporting MSMEs in food processing industry, exploring challenges and opportunities across various sectors. Study conducted in Bengaluru, Karnataka, suggests exploring other regions with favorable climatic conditions for food processing industry, like Telangana and Bihar, to assess effectiveness of measures. Expand study scope to understand financial challenges faced by MSMEs in food processing industry and identify effective strategies.

**Key conclusions:**

The study revealed 31-40-year-olds are most interested in entrepreneurship in Bengaluru food processing industry. Study shows gender gap in Bengaluru food processing industry, with 63% male respondents, requiring support for women entrepreneurs. A noteworthy finding is that 24.7% of respondents had good qualifications, indicating that educated individuals are venturing into entrepreneurship in the food processing industry in Bengaluru. This highlights the positive correlation between education and entrepreneurial pursuits. Most respondents, aged 21-40, supported the study findings due to their industry experience in Bengaluru. Most respondents owned sole proprietorships, indicating preference for this business structure among food processing entrepreneurs. 91% of respondents were inspired to promote MSMEs, especially among male CEOs, without significant impact on age, gender, ownership, or firm type. MSMEs face various financing options, including own capital, friends' borrowing, and customer advances. Study reveals MSMEs face internal issues like collateral requirements and inadequate accounting systems, impacting financing.

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