

Source Of Finance And Financial Structure Of Msmes – A Study Of Granite Industry In Chittoor And Prakasam Districts

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Abstract: At present the state is producing about 10 lakh cubic meters of black and colored granites. According to the Central Government, Chittoor and Prakasam Districts are Industrially Backward Districts in Andhra Pradesh. Granite industry plays a pivotal role in the economic development of these Districts. A sound capital structure leads to increase the value of the firm, proper utilization of available funds, minimization of cost of capital, maximization of returns, etc. Majority of granite enterprises are suffering with heavy losses as per my first hand observation in Chittoor and Prakasam Districts of Andhra Pradesh. The enigma pertaining to the status is that whether the people are sufficiently strong enough invest required financial structure. So the present study is undertaken to know the source of finance and financial structure of micro, small and medium enterprises in granite industry in Chittoor and Prakasam Districts of Andhra Pradesh. The objectives of the present study are to know the ability of the granite entrepreneurs by attending campaign programmes to get financial assistance, to identify the purpose of loan taken, met financial requirement and subsidy availed by the granite entrepreneurs, and to study the financial structure of the granite enterprises and offer suggestions to maintain an optimal capital structure in Chittoor and Prakasam Districts of Andhra Pradesh during the study period. The granite enterprises were not maintaining an optimum capital structure and Small and medium enterprises did not maintain the standard debt-equity ratio (1 to 1.5) in the study area. It is suggested that small and medium enterprises should try to increase the debt to maintain the standard debt-equity ratio (1 to 1.5) and optimum capital structure, if there is a possibility to utilize this debt, and then they will get tax-benefit. Otherwise an additional debt will be cause for financial risk.

Key words: 1. Chittoor and Prakasam districts, 2. Financial structure, 3. Granite industry, 4. MSMEs.

1. INTRODUCTION

India has a vast potential for different varieties of granite used in cutting and polishing industry. The demand for Indian Granite in the International market is very high due to its attractive colors, quality and price. Andhra Pradesh is one of the largest producers of exportable granites in the country, 17 out of 23 districts have several occurrences of different varieties of granites. Jet black, Black Galaxy, Srikakulam Blue & White, Steel Gray, Blue Safire and Tan Brown are exclusive varieties in the international market. The world's rare

and exclusive variety of Black Galaxy Granite occurs in Chimakurthy, Prakasam District; at present the state is producing about 10 lakh cubic meters of black and colored granites. There are a number of unexplored areas in the state, which contain workable and marketable deposits. Central and State Geological Agencies have started exploration to identify new varieties and areas. Obviously very vast scope exists for development of the granite industry in the state.

Granite Industry in Chittoor and Prakasam Districts

According to the Central Government, Chittoor and Prakasam Districts are Industrially Backward Districts in Andhra Pradesh. Granite industry plays a pivotal role in the economic development of Chittoor and Prakasam Districts. It has advantages of generating gainful employment, with low investment. And paves a way to tackle diversifying the industrial base, reducing regional disparities and more equitable distribution of income by the establishment of granite enterprises in the rural, semi-urban, industrial estates and backward areas of Chittoor and Prakasam Districts.

As per the records of the District Industrial Centre (DIC), Chittoor, there were 344 granite cutting and polishing enterprises were established during 2010-11 to 2019-20 with a total investment Rs. 16724.67 lakh and providing employment for 3819 people, where as in the case of Prakasam District, there were 1143 enterprises were established with a total investment Rs. 79894.42 lakh and providing employment for 18254 people.

2. LITERATURE REVIEW AND METHODOLOGY

Firms are always trying to maximize their performance, and minimize their financing cost, by maintaining an optimal capital structure. According to Lawrence D. Schall and Charles W. Haley, "The term capital structure means the proportion of different types of securities issued by a firm". Krishnan and Moyer, (1997) found a negative and significant impact of total debt to total equity on return on equity. Gleason, Mathur and Mathur, (2000) found that firm's capital structure has a negative and significant impact on firm's performance measures return on assets, growth in sales, and pre-tax income. Therefore, high levels of debt in the capital structure would decrease the firms' performance. Fama and French (2002) observed in their study that highly profitable firms with lower risk of financial distress are actually less levered which contradicts with the trade-off theory. It is also witnessed a negative link between capital structure and firms' performance. The results diverge from Kumar & Bodla (2014), who found a negative relationship between profitability and leverage for chemical companies in India. Myers (1984) and Kumar & Bodla (2014) have also determined earlier that profitability and leverage are negative related at 5%. Leon (2013) analyzed the correlation between leverage and profitability and also the impact of leverage on return on equity and return on assets. The result shows negative correlation between leverage, return on equity and return on assets. The study concludes that there is a significant impact of leverage on return on equity. Roden and Lewellen (1995) employed a sample of 48 U.S. firms during 1981-1990 and found a positive relation between profitability and capital structure. Analogous results were also observed by Champion (1999), Ghosh, Nag, and Sirmans (2000), Hadlock and James (2002). They concluded that firms with highly profitable firms use high-level of debts. Margaritis and Psillaki (2010) observed a significant positive relation between leverage and firms' performance. They used a sample of both low and high growth French firms for the period 2003-2005 and found that leverage have positive effect on firms' efficiency over the entire sample. Mwangi and Birundu (2015) described that capital structure, assets turnover and asset tangibility does not have significant effects on financial performance of small and medium enterprises.

Some researchers got positive relationship and some got negative relationship while others got mixed or no relationship between capital structure and firms' performance. But, majority micro, small and medium enterprises are established by the mass people, not by the professionals or well educated people. Generally, they start their business based on their experience, availability of resources and market potential. But they don't know about the capital structure and its impact on profitability and performance of an enterprise. Just they get advice from the bank officials or any other agency officials to get loans.

2.1. *Statement of the Problem*

The above review of literature reveals that there were a few studies conducted on financial structure of enterprises in different sectors and areas at different times. Since a considerable period majority granite enterprises are suffering with various problems particularly finance. Finance is the heart and soul of an enterprise. The requirement of finance is changing from time to time due to technology up-gradation, economic conditions, business expansion, etc. Every firm should follow a sound capital structure to maximize the returns with minimum risk. A sound capital structure leads to increase the value of the firm, proper utilization of available funds, minimization of cost of capital, maximization of returns, never allows to go for too much raising of debt capital, provides flexibility for expansion or reduction of capital as per requirement from time to time, and does not allow the equity shareholders control on business to be diluted, protects from financial risk through a judicious mix of debt and equity. There are micro, small and medium enterprises in granite industry in Chittoor and Prakasam Districts of Andhra Pradesh. Majority of these enterprises are suffering with heavy losses as per my first hand observation. The enigma pertaining to the status is that whether the people are sufficiently strong enough invest required financial structure. So the present study is undertaken to know the source of finance and financial structure of micro, small and medium enterprises in granite industry in Chittoor and Prakasam Districts of Andhra Pradesh.

2.2. *Significance of the Present Study*

Against this background, an in-depth study on source of finance and financial structure of micro, small and medium enterprises in granite industry is felt essential to identify these enterprises have sound financial structure. Such a study is very much essential to the granite industry in Chittoor and Prakasam Districts and to evolve suitable measures to make the granite enterprises viable.

2.3. Objectives

The objectives of the present study are:

1. To know the ability of the granite entrepreneurs by attending campaign programmes to get financial assistance in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.
2. To identify the purpose of loan taken, met financial requirement and subsidy availed by the granite entrepreneurs during 2010-11 to 2019-20 in the study area.
3. To study the financial structure of the granite enterprises and offer suggestions to maintain an optimal capital structure for maximizing return at minimum financial risk in Chittoor and Prakasam Districts of Andhra Pradesh during the study period.

Hypotheses

The following are the hypotheses formulated for the present study.

1. **Hypothesis:** The granite entrepreneurs are equally attended campaign programmes in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

2. **Hypothesis:** The granite entrepreneurs are taken loan for the same purpose in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.
3. **Hypothesis:** The granite entrepreneurs are equally met their requirement while taking loan in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.
4. **Hypothesis:** The granite entrepreneurs are equally availed subsidy in Chittoor and Prakasam Districts of Andhra Pradesh.
5. **Hypothesis:** The debt percentage of granite enterprises is one and the same in Chittoor and Prakasam Districts of Andhra Pradesh.

3. METHODOLOGY

In view of the specific objectives of the present study, it uses both primary and secondary data. It contemplates a two pronged approach. It focuses attention first on the sample of 15 per cent existing granite enterprises in the Chittoor and Prakasam districts and next on various financial statements of the selected granite enterprises to obtain factual data.

3.1. *Data Collection*

The study makes use of both primary and secondary data for analysis, drawing inferences and arriving at conclusions. The present work is mainly based on the primary data was collected by way of field study, apart from the collection of data from the official records of the granite industries in Chittoor and Prakasam Districts, the schedules are specially designed for the purpose are filled through personal interviews. The major sources of secondary data were various financial statements of the selected granite enterprises. The average debt and equity of every enterprise were taken for the calculation of debt-equity ratio.

3.2. *Sample Design*

The present study is adopted a sample of 15 per cent of the total enterprises which were established in Chittoor and Prakasam Districts during 2010-11 to 2019-20. There were 344 enterprises in Chittoor District, among them 15 per cent, then the sample of the enterprises was 52 (344 x 15%). There were 1143 enterprises in Prakasam District, among them 15 per cent, then the sample of the enterprises was 171 (1143 x 15%). So the total number of enterprises is 223. The sample granite enterprises were selected by applying a simple random technique.

3.3. *Statistical Tools*

The collected data is analyzed by applying mean, standard deviation, χ^2 test, t-test and debt-equity ratio for different variables using SPSS 20.0.

3.4. *Period of the Study*

The present study has been selected for a period of eight years commencing from 2010-11 to 2019-20. This period is quite satisfactory to evaluate the financial structure of all the existing granite enterprises in Chittoor and Prakasam Districts of Andhra Pradesh.

3.5. *Scope and Limitations of the Present Study*

The granite industry of Chittoor and Prakasam Districts has gained a lot of significance on account of several factors due to generating employment with less capital, particularly in rural and backward areas. In this connection, it is mentioned that the establishment granite enterprises have given great impetus for the growth of the Districts, State and Indian economy. The study is confined to granite enterprises of Chittoor and

Prakasm Districts of Andhra Pradesh as the enterprises are facing identical problems and enjoying identical facilities. Moreover, time and money constraints were also affected the researcher's decision to limit the study to the granite enterprises of Chittoor and Prakasm Districts. Lack of knowledge about the importance of research among the respondents also affected the study. Some entrepreneurs are reluctant to give the data due to known and unknown reasons. The analysis of data was purely based on the information given by the respondents during the field survey.

3.6. Time Period

The questionnaire is initially distributed among 20 potential sample granite enterprises as a pilot survey. Based on the feedback, a few changes were made. Subsequently the final questionnaire was prepared. The primary data collection process was started from 5th August, 2019 and ended on 30th, November, 2019.

As mentioned in the sample design, all 223 entrepreneurs / enterprises are identified and studied. Collection of reliable information from the sample enterprises for all the things is difficult to get at as they have not maintained their records properly. In fact, they hardly maintain all the records required. Therefore, the data from all the sample enterprises could be collected to know the financial structure of granite enterprises in Chittoor and Prakasam Districts.

Data Analysis

Finance is the elixir that assists in the formation of new businesses, and allows businesses to take advantage of opportunities to grow, employ local workers and in turn support other businesses and local, state and federal government through the remittance of income taxes. The strategic use of financial instruments, such as loans and investments, are keys to the success of every business. So the present study focuses on the financial structure of granite enterprises in Chittoor and Prakasam Districts.

Attended any Campaign Programme-wise Classification of Granite Entrepreneurs in Chittoor and Prakasam Districts

Hypothesis: The granite entrepreneurs are equally attended campaign programmes in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

The following table presents the attended any campaign programme-wise classification of granite entrepreneurs in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

Table No. 1 Attended any Campaign Programme-wise Classification of Granite Entrepreneurs in Chittoor and Prakasam Districts

Chi-square value	p-value	No. of Granite Enterprises		
		Chittoor District	Prakasam District	Total
17.054**	.000			
Attended any Campaign Programme to get Financial Assistance	Yes	19	20	39
		36.5%	11.7%	17.5%
	No	33	151	184
		63.5%	88.3%	82.5%
Total		52	171	223
		100.0%	100.0%	100.0%

Source: Primary Data.

From the above table it is observed that out of 223 entrepreneurs, only 39 (17.5 per cent) were attended campaign programmes to get financial assistance from the financial institutions such as public sector banks, private sector banks, APSFC and others in the study

area. It is also observed that the 36.5 per cent entrepreneurs did not attend campaign programmes in Chittoor District, but it is only 11.7 per cent in Prakasam District. In the above table Chi-squares test reveals that the granite entrepreneurs are unequally attended campaign programmes in the study districts at 1% level ($p < 0.01$).

Loan Taken-wise Classification of Granite Entrepreneurs in Chittoor and Prakasam Districts

The following table presents the loan taken-wise classification of granite entrepreneurs in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

Table No.2 Loan Taken-wise Classification of Granite Entrepreneurs in Chittoor and Prakasam Districts

		No. of Granite Enterprises		
		Chittoor District	Prakasam District	Total
Loan Taken from Financial Institutions	No	1	8	9
		1.9%	4.6%	4.1%
	Yes	51	163	214
		98.1%	95.4%	95.9%
Total		52	171	223
		100.0%	100.0%	100.0%

Source: Primary Data.

From the above table it is observed that 98.10 per cent granite entrepreneurs got financial assistance from various financial institutions in Chittoor District whereas in the case of Prakasam District it is 95.3 per cent. On the whole 95.9 per cent granite entrepreneurs got financial assistance from various financial institutions in the study area.

Purpose of Loan Taken-wise Classification of Granite Enterprises in Chittoor and Prakasam Districts

Hypothesis: The granite entrepreneurs are taken loan for the same purpose in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

The following table presents the purpose of loan taken-wise classification of granite enterprises in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

Table No.3 Purpose of Loan Taken-wise Classification of Granite Enterprises in Chittoor and Prakasam Districts

Chi-square value	p-value	No. of Granite Enterprises		
		Chittoor District	Prakasam District	Total
5.443*	.046			
Purpose of Loan Taken	No loan taken	1	8	9
		1.9%	4.7%	4.1%
	Establishment of new enterprise	45	155	200
		86.5%	90.6%	89.6%
Expansion of the existing enterprise	6	8	14	
	11.5%	4.7%	6.3%	
Total		52	171	223
		100.0%	100.0%	100.0%

Source: Primary Data.

The above table reveals that 98.1 per cent granite enterprises were taken loan. Of them, 86.5 per cent and only 11.5 per cent were taken loan for the purpose of establishment

of new enterprise and expansion of the existing enterprise in Chittoor District respectively. Where as in the case of Prakasam District, 95.3 per cent granite enterprises were taken loan, of them 90.6 per cent and 4.7 per cent were taken loan for the purpose of establishment of new enterprise and expansion of the existing enterprise respectively. On the whole, 95.9 per cent granite enterprises were taken loan, of them 89.6 per cent and 6.3 per cent were taken loan for the purpose of establishment of new enterprise and expansion of the existing enterprise respectively in the study area. In the above table Chi-squares test reveals that the granite entrepreneurs' are taken loan for the same purpose in the study districts at 1% level ($p > 0.01$).

Loan Met Requirement-wise Classification of Granite Enterprises in Chittoor and Prakasam Districts

Hypothesis: The granite entrepreneurs are equally met their requirement while taking loan in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

The following table presents the loan met requirement-wise classification of granite enterprises in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

Table No.4 Loan Met Requirement-wise Classification of Granite Enterprises in Chittoor and Prakasam Districts

Chi-square value	p-value	No. of Granite Enterprises		
		Chittoor District	Prakasam District	Total
11.555**	.003			
Loan Requirement Met	No loan taken	1	8	9
		1.9%	4.7%	4.0%
	Yes	46	157	203
		88.5%	91.8%	91.0%
No	5	6	11	
	9.6%	3.5%	4.9%	
Total		52	171	223
		100.0%	100.0%	100.0%

Source: Primary Data.

The above table reveals that 88.5 per cent granite enterprises were met their financial requirement by taking loan from the various financial institutions in Chittoor District where as in the case of Prakasam District, it is 91.8 per cent. On the whole, 91.0 per cent granite enterprises met their financial requirement by taking loan from the various financial institutions in the study area. In the above table Chi-squares test reveals that the granite entrepreneurs are not equally met their requirement while taking loan in the study districts at 1% level ($p < 0.01$).

Sources of Capital-wise Classification of Granite Entrepreneurs in Chittoor and Prakasam Districts

The following table presents the source of capital-wise classification of granite entrepreneurs in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

Table No.5 Sources of Capital-wise Classification of Granite Entrepreneurs in Chittoor and Prakasam Districts

		No. of Granite Enterprises		
		Chittoor District	Prakasam District	Total
Sources of Capital	No debt	1	8	9
		1.9%	4.7%	4.0%

	Public Sector Banks	47	140	187
		90.4%	81.9%	83.9%
	Private Sector Banks	1	6	7
		1.9%	3.5%	3.1%
	APSFC	3	17	20
		5.8%	9.9%	9.0%
Total		52	171	223
		100.0%	100.0%	100.0%

Source: Primary Data.

The above table reveals that 90.4 per cent granite enterprises were borrowed finance from public banks, whereas in the case of Prakasam District, it is 81.9 per cent. On the whole, 83.9 per cent granite enterprises were borrowed finance from public sector banks, followed by APSFC 9.0 per cent and private sector banks 3.1 per cent in the study Districts. From the above analysis, it is observed that 84 per cent granite enterprises were borrowed finance from the public sector banks in the study area. It is also interesting to say that only few granite entrepreneurs were borrowed finance from the APSFC in the study area even though it is a premier institution for lending loans to MSMEs in Andhra Pradesh.

Subsidy Availed-wise Classification of Granite Enterprises in Chittoor and Prakasam Districts

Hypothesis: The granite entrepreneurs are equally availed subsidy in Chittoor and Prakasam Districts of Andhra Pradesh.

The following table presents the subsidy availed-wise classification of granite enterprises in Chittoor and Prakasam Districts of Andhra Pradesh during 2010-11 to 2019-20.

Table No.6 Subsidy Availed-wise Classification of Granite Enterprises in Chittoor and Prakasam Districts

Chi-square value	p-value	No. of Granite Enterprises		
		Chittoor District	Prakasam District	Total
52.206**	.000			
Subsidy Availed	No loan taken	1	8	8
		1.9%	4.7%	3.6%
	Yes	35	161	196
		67.3%	94.2%	87.9%
	No	16	2	19
		30.8%	1.2%	8.5%
Total		52	171	223
		100.0%	100.0%	100.0%

Source: Primary Data.

From the above table it is observed that 67.3 per cent granite entrepreneurs were availed subsidy and 30.8 per cent were not availed subsidy in Chittoor District whereas in the case of Prakasam District, it is 94.2 per cent and 1.2 per cent respectively. In the above table Chi-squares test reveals that the granite entrepreneurs are not equally availed subsidy in the study districts at 1% level ($p < 0.01$).

District-wise Capital Structure of Enterprises in Chittoor and Prakasam Districts

The following table presents the size of enterprise-wise capital structure of selected granite enterprises in Chittoor and Pradasam Districts.

Table No.7 District-wise Capital Structure and Debt-Equity Ratio of Enterprises in Chittoor and Prakasam Districts

Type of Source / Debt-Equity Ratio	Chittoor District		Prakasam District		Total	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
Equity	66.44	24.397	66.70	26.665	66.64	26.100
Debt	42.54	19.187	40.58	20.440	41.04	20.129
Debt-Equity Ratio	0.64	--	0.61	--	0.62	--

Source: Primary Data.

The above table presents the District and capital structure-wise mean and standard deviation. From the above table it is observed that the equity mean of Chittoor District granite enterprises was little bit lower than the Prakasam District, but the debt mean of Chittoor District was higher than the Prakasam District. The equity and debt standard deviation of Prakasam District granite enterprises was little bit higher than the Chittoor District. It means that the granite enterprises of both Chittoor and Prakasam Districts are not maintaining an optimum capital structure at 50:50 ratio. It leads to minimize the profit of the granite enterprises. The granite enterprises did not maintain the standard debt-equity ratio (1 to 1.5) in Chittoor and Prakasam District.

Size of Enterprise-wise Capital Structure of Enterprises in Chittoor and Prakasam Districts

The following table presents the size of enterprise-wise capital structure of selected granite enterprises in Chittoor and Prakasam Districts.

Table No.8 Size of Enterprise-wise Capital Structure and Debt-Equity Ratio of Enterprises in Chittoor and Prakasam Districts

District	Size of Enterprise	Debt		Equity		Debt-Equity Ratio
		Mean	Std. Deviation	Mean	Std. Deviation	
Chittoor	Small	43.4	18.4	66.4	24.4	0.65
	Total	43.4	18.4	66.4	24.4	0.65
Prakasam	Micro	60.0	--	40.0	--	1.50
	Small	41.4	19.2	66.1	26.5	0.63
	Medium	45.0	4.5	75.5	9.5	0.60
	Total	41.8	19.5	66.7	26.7	0.63
Total	Micro	60.0	--	40.0	--	1.50
	Small	41.8	19.0	66.2	25.9	0.63
	Medium	45.0	4.5	55.0	9.5	0.82
	Total	42.2	19.2	66.6	26.1	0.63

Source: Primary Data.

The above table presents the District, size of enterprise and capital structure-wise mean and standard deviation. From the above table it is observed that the equity mean of small granite enterprises in Chittoor District was little bit higher than the small granite enterprises in Prakasam District, but the debt mean of small granite enterprises in Chittoor District was higher than the small granite enterprises in Prakasam District. The equity and debt standard deviation of granite enterprises in Chittoor District was little bit higher than the granite enterprises in Prakasam District. It means that the small granite enterprises of both Chittoor and Prakasam Districts are not maintaining an optimum capital structure at 50:50

ratio. It leads to minimize the profit of the granite enterprises. Furthermore only micro enterprises are maintaining the standard debt-equity ratio (1 to 1.5) in Prakasam District. It is interesting to say that a little bit micro and medium enterprises were established in Prakasam District.

Debt Percentage between Chittoor and Prakasam Districts

The following table presents the size of enterprise-wise capital structure of selected granite enterprises in Chittoor and Pradasam Districts.

Hypothesis: The debt percentage of granite enterprises is one and the same in Chittoor and Prakasam Districts of Andhra Pradesh.

Table No.9 Debt Percentage between Chittoor and Prakasam Districts

District	N	Mean	Std. Deviation	t-value	p-value	Min	Max
Chittoor	51	39.65	3.47	1.93*	0.045	27.3	45.5
Prakasam	166	38.59	3.93			27.3	50.0

* significant at 5% level.

Source: Primary Data.

The above table presents the District-wise mean and standard deviation of the granite enterprises in the study area. It is observed that the debt mean of granite enterprises in Chittoor District was little bit higher than the granite enterprises Prakasam District, but the standard deviation of granite enterprises in Chittoor District is little bit lower than the granite enterprises in Prakasam District. It means that the small granite enterprises of both Chittoor and Prakasam Districts are almost maintaining similar debt. In the above table Chi-squares test reveals that the debt percentage of granite enterprises is one and the same in Chittoor and Prakasam Districts of Andhra Pradesh at 1% level ($p > 0.01$).

Findings and Suggestions

The present study makes an attempt to bring together by way of summing up the relevant observations made in the course of the study. It also suggests suitable measures to increase the profitability and financial performance of the granite enterprises.

- 36.5 per cent granite entrepreneurs did not attend campaign programmes in Chittoor District, but it is only 11.7 per cent in Prakasam District to get loan from financial institutions. So the financial institutions should conduct awareness campaigns frequently particularly Andhra Pradesh State Financial Corporation. Then the prospective entrepreneurs will get awareness on getting loan and maintenance of capital structure.
- 98.10 per cent granite entrepreneurs got financial assistance from various financial institutions in Chittoor District whereas in the case of Prakasam District it is 95.3 per cent. A few entrepreneurs did not get loan from financial institutions due to lack of knowledge or they may have their own fund. But this is not at all good for an enterprise.
- 86.5 per cent granite entrepreneurs were taken loan for the purpose of establishment of new enterprise and only 11.5 per cent expansion of the existing enterprise in Chittoor District. In Prakasam District, it is 90.6 per cent and 4.7 per cent respectively. It is welcoming one.
- 88.5 per cent granite enterprises were met their financial requirement by taking loan from the various financial institutions in Chittoor District where as in the case of Prakasam District, it is 91.8 per cent. It indicates that the rest of the granite entrepreneurs were facing financial problems.
- 90.4 per cent granite enterprises were borrowed finance from public banks, whereas in the case of Prakasam District, it is 81.9 per cent. So the private sector banks and APSFC should try to provide finance to the granite entrepreneurs in the study area.

- 30.8 per cent granite enterprises were not availed subsidy in Chittoor District whereas in the case of Prakasam District, it is 1.2 per cent. So the District Industries Centre should conduct awareness on subsidies offer by the state and central governments. Then the entrepreneurs will avail subsidies properly, it leads to reduce the financial risk.
- The granite enterprises of both Chittoor and Prakasam Districts were not maintaining an optimum capital structure at 50:50 ratio. The small granite enterprises of both Chittoor and Prakasam Districts were almost maintaining similar debt. The small granite enterprises in both Chittoor and Prakasam Districts were not maintaining an optimum capital structure at 50:50 ratio. It leads to maximize the profit of the granite enterprises. It is interesting to say that a little bit micro and medium enterprises were established in Prakasam District.
- Small and medium enterprises did not maintain the standard debt-equity ratio (1 to 1.5) in Chittoor and Prakasam District. It is suggested that small and medium enterprises should try to increase the debt to maintain the standard debt-equity ratio (1 to 1.5), if there a possibility to utilize this debt, and then they will get tax-benefit. Otherwise an additional debt will be cause for financial risk.

All the above suggestions mean for improving the condition of micro, small and medium granite enterprises and entrepreneurs are practicable. What is required for them and they wish to act and implement them.

4. CONCLUSION

The study concludes that, the financial institutions should conduct awareness campaigns frequently particularly Andhra Pradesh State Financial Corporation. Then the prospective entrepreneurs will get awareness on getting loan and maintenance of capital structure. And also found that, granite entrepreneurs were facing financial problems while applying for loan. Maintaining optimum capital structure leads to maximize the profit of the granite enterprises. Hence the government authorities and policy makers consider these issues and provide best possible solution to resolve problems. This will helps to strengthen granite industry throughout the country.

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APPENDIX

1. Name and Address of the Entrepreneur : -----

2. Age of Entrepreneur :
3. What is the size of enterprise?
4. Did you attend campaign programme organized by any financial institution? **Yes**
 / **No**
5. Did you get loan from Financial Institutions? **Yes / No**
6. If yes, specify that financial institution:
 A. APSFC B. Commercial Bank C. Non-Commercial Bank D.Others (Specify):--
 --
7. Which of the below purpose have you taken loan from a financial institution?
 A. Establishment of new enterprise B. Expansion of the existing enterprise
 C. Diversification D. Rehabilitation of a sick enterprise
 E. Overrun finance F.Replacement/Modernisation of existing
 enterprise
 Any other (Please specify) : -----
8. Did loan meet your requirement? **Yes / No**
9. Did you avail subsidy? **Yes / No**
10. What is the average source of capital (in terms of percentage)? Equity Debt