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A STUDY ON IMPACT OF SIDCO FINANCIAL ASSISTANCE TOWARDS THE GROWTH AND PERFORMANCE OF MSMEs IN TRIVANDRUM

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ABSTRACT

The Micro, Small and Medium Enterprises (MSME) sector is a critical pillar of India's economic development, contributing substantially to employment generation, industrial output, and regional growth. This study examines the impact of SIDCO (Kerala State Industrial Development Corporation) financial assistance on the growth and performance of MSMEs in Trivandrum. Using a structured questionnaire administered to 100 MSME owners and managers, the study evaluates the influence of financial support on revenue growth, working capital stability, production capacity, operational efficiency, market expansion, and overall financial performance. Statistical tools including percentage analysis, Pearson correlation, and chi-square tests were employed. Findings reveal that SIDCO assistance positively influenced production capacity, market expansion, and productivity, while its effect on revenue growth and working capital stability remained moderate. A strong positive correlation (r = 0.886, p = 0.045) was established between revenue increase and business expansion. The study recommends increased loan amounts, extended repayment periods, streamlined procedures, and better guidance mechanisms to strengthen SIDCO's impact on MSMEs.

KEYWORDS: *MSME, SIDCO, Financial Assistance, Business Growth, Kerala, Trivandrum, Working Capital, Business Expansion, Correlation Analysis*

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are universally recognized as engines of economic growth and industrial development. In India, the MSME sector encompasses over 63 million enterprises, contributing approximately 30% to GDP, 48% to exports, and providing employment to over 110 million individuals. Despite their immense significance, MSMEs continue to face persistent challenges — most notably the lack of timely and adequate financial support. Access to credit remains constrained due to stringent collateral requirements, high interest rates, complex lending norms, and risk-aversion by financial institutions.

In Kerala, the Kerala State Industrial Development Corporation (SIDCO), established in 1961, serves as a pivotal bridge between the government and entrepreneurs. Operating under the Department of Industries and Commerce, SIDCO provides financial assistance including term loans, working capital support, equity participation, and infrastructure development services to eligible enterprises. It also offers single-window clearance through K-SWIFT, facilitating faster statutory approvals.

Trivandrum (Thiruvananthapuram), Kerala's capital, hosts SIDCO's headquarters and a significant concentration of MSMEs across manufacturing, food processing, coir, rubber, tourism, and IT sectors. This study investigates whether SIDCO's financial interventions have translated into measurable improvements in MSME performance within this region, evaluating their real-world effectiveness against stated objectives.

2. OBJECTIVES OF THE STUDY

2.1 Primary Objective

To analyze the impact of SIDCO financial assistance on the growth and performance of MSMEs in Trivandrum.

2.2 Secondary Objectives

- To examine the nature, type, amount, and duration of financial assistance received by MSMEs from SIDCO.
- To evaluate whether SIDCO financial assistance has contributed to enterprise revenue growth.
- To assess the impact of financial assistance on business expansion and market penetration.
- To evaluate the impact of SIDCO assistance on production capacity and technological upgradation.

- To analyze improvement in productivity and operational efficiency post-assistance.
- To assess the role of SIDCO support in enabling working capital stability and long-term financial health.
- To measure overall beneficiary satisfaction with SIDCO's financial schemes.

3. SCOPE OF THE STUDY

The study is focused on MSMEs operating in Trivandrum, Kerala, that have received financial assistance from SIDCO. It covers diverse aspects of business performance including revenue, productivity, production capacity, market expansion, and financial stability. The research draws upon both primary data (from 100 MSME respondents) and secondary data (government reports, SIDCO publications, RBI reports, and industry journals). The findings provide insights specific to the regional economic environment of Kerala and are useful for policymakers, SIDCO administrators, and entrepreneurs seeking to optimize the utilization of financial schemes.

4. LIMITATIONS OF THE STUDY

- The study is confined to MSMEs in Kerala and may not be generalizable to other states or sectors.
- Analysis is based on self-reported performance metrics, which may be subject to respondent bias.
- The sample size of 100 respondents may not fully represent the entire MSME population supported by SIDCO.
- Time constraints limited the ability to track long-term performance changes post-assistance.
- Some firms were reluctant to disclose complete financial data, potentially limiting the depth of certain findings.

5. REVIEW OF LITERATURE

A substantial body of recent literature affirms the critical importance of financial assistance to MSME growth and sustainability. Saad (2024) emphasized that financial assistance alone is insufficient unless supported by operational and supply chain improvements, concluding that integrated support enhances MSME resilience. Mahmud (2024) highlighted the role of financial support in promoting digital transformation and sustainable business models among SMEs in the service sector.

Gunawan (2024), using bibliometric analysis, confirmed that financial assistance bridges resource gaps and improves MSME competitiveness and productivity. Nakanwagi (2024) drew attention to financial inclusion gaps, particularly in rural areas, advocating for tailored and accessible financing policies. Chowdhury (2024) documented the positive impact of institutional financial support on production levels and regional economic development in Tripura.

Tumewu (2025) argued that financial literacy is a prerequisite for effective utilization of financial aid, recommending combined financial and training interventions. Gulo (2025) found that fintech integration with traditional financial assistance amplifies efficiency and operational performance for MSMEs. Singh (2025) and Kusumawati (2025) further affirmed that financial support indirectly enhances productivity by enabling investment in human resources and entrepreneurial skills.

More recent studies (Varga, 2026; Manzoor, 2026; Chalid, 2026) consistently demonstrate that financial assistance improves employment, working capital management, liquidity, and rural MSME sustainability. Rupeika-Apoga (2026) and Rajeevan (2026) underscore the role of financial assistance in enabling digital transformation and ensuring continuous capital access for Indian MSMEs respectively. The collective literature supports the view that structured, sustained, and well-monitored financial assistance significantly improves MSME performance and long-term viability.

6. RESEARCH METHODOLOGY

6.1 Research Design

A descriptive research design was adopted to systematically analyze the impact of SIDCO financial assistance on MSMEs in Kerala, interpreting both qualitative and quantitative dimensions of business performance and beneficiary satisfaction.

6.2 Data Collection

Primary data was collected through structured questionnaires administered to 100 MSME owners and managers who had received SIDCO financial support. The questionnaire covered demographic profile, nature and type of assistance received, and Likert-scale items measuring impact on revenue, working capital, production, expansion, and satisfaction. Non-probability convenience sampling was employed.

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Secondary data was sourced from SIDCO annual reports, Ministry of MSME publications, RBI reports, peer-reviewed journals, and official government websites.

6.3 Statistical Tools

Statistical Tool	Purpose
Percentage Analysis	Analyze demographic profiles and frequency distributions
Pearson Correlation	Measure relationship between revenue increase and business expansion
Chi-Square Test	Examine association between financial support adequacy and working capital stability

7. DATA ANALYSIS AND INTERPRETATION

7.1 Demographic Profile of Respondents

Variable	Category	Frequency	Percentage
Gender	Male	48	48%
	Female	52	52%
Age Group	18–25 Years	57	57%
	26–35 Years	20	20%
	36–45 Years	18	18%
	Above 45	5	5%
Education	Undergraduate	40	40%
	Postgraduate	46	46%
	Professional	14	14%

The study found balanced gender participation (52% female, 48% male). A dominant 57% of respondents were young entrepreneurs aged 18–25 years, indicating active youth engagement with SIDCO support. Educational levels were high, with 46% postgraduates and 40% undergraduates.

7.2 Nature of SIDCO Assistance Received

Type of Assistance	Frequency	Percentage
Term Loan	35	35%
Working Capital	32	32%
Machinery Purchase	15	15%
Subsidy Assistance	10	10%
Others	8	8%
Assistance Amount < Rs. 1,00,000	50	50%
Duration < 1 Year	54	54%

Term loans (35%) and working capital (32%) were the most common forms of assistance. Half of respondents received less than Rs.1,00,000, and 54% received support for under one year, highlighting the predominantly small, short-term nature of current SIDCO assistance.

7.3 Impact on Business Performance

Performance Indicator	Agree (%)	Neutral (%)	Disagree (%)	Inference
Revenue Increased	24	32	44	Mixed
Long-term Investment Needs Met	25	33	42	Moderate
Adequate for Repayment & Use	27	36	37	Moderate
Working Capital Stability	26	29	45	Limited
Business Expansion Possible	31	24	45	Mixed
Operational Cost Efficiency	30	36	34	Moderate
Production Capacity Increased	32	34	34	Balanced
Technology Upgradation	28	33	39	Moderate
Market/Regional Expansion	36	36	28	Positive
Overall Satisfaction (Satisfied+)	59	36	5	Positive

Market and regional expansion showed the most positive response (36% agreement), while working capital stability showed the weakest impact (26% agreement, 45% disagreement). Overall satisfaction was predominantly positive, with 59% of respondents expressing satisfaction or high satisfaction with SIDCO support.

7.4 Correlation Analysis

A Pearson correlation was conducted between enterprise revenue increase (Table 4.1.8) and business expansion (Table 4.1.12).

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Variables	r Value	p Value	Significance
Revenue Increase vs. Business Expansion	0.886	0.045	Significant ($p < 0.05$)

The Pearson correlation coefficient $r = 0.886$ ($p = 0.045$) indicates a very strong positive relationship between revenue increase and business expansion, significant at the 5% level. Enterprises experiencing revenue growth are strongly associated with market expansion. H1 is accepted.

7.5 Chi-Square Analysis

A Chi-Square test examined the association between financial support adequacy (Table 4.1.10) and working capital stability (Table 4.1.11).

Variables	Chi-Square	p Value	Result
Financial Support vs. Working Capital	20.000	0.220	H0 Accepted ($p > 0.05$)

The chi-square value of 20.000 with $p = 0.220$ (> 0.05) indicates no statistically significant association between financial support adequacy and working capital stability. H0 is accepted, suggesting that working capital stability is influenced by multiple factors beyond financial support alone.

8. FINDINGS

- Female respondents (52%) slightly outnumbered male respondents (48%), indicating inclusive participation among MSME beneficiaries.
- A majority (57%) of respondents were young entrepreneurs aged 18–25 years, reflecting strong youth engagement with SIDCO schemes.
- Most respondents (86%) were well-educated, holding undergraduate or postgraduate degrees, suggesting SIDCO outreach is reaching informed entrepreneurs.
- 53% of respondents had less than one year of experience with SIDCO, and 54% received assistance for less than one year, indicating predominantly recent and short-term beneficiaries.
- Term loans (35%) and working capital assistance (32%) were the most commonly utilized support categories.
- Half of respondents (50%) received assistance below Rs. 1,00,000, highlighting the modest scale of financial support disbursed.
- Revenue growth post-assistance showed mixed outcomes: 44% disagreed or strongly disagreed with improvement, while 32% remained neutral.
- Market and regional expansion demonstrated the strongest positive impact (36% agreement), suggesting SIDCO support effectively enables geographic business growth.
- Overall beneficiary satisfaction was positive, with 59% reporting satisfaction or high satisfaction.
- Correlation analysis confirmed a strong positive relationship between revenue growth and business expansion ($r = 0.886$, $p = 0.045$).
- Chi-square analysis found no significant statistical association between financial support adequacy and working capital stability, indicating the influence of other operational factors.

9. SUGGESTIONS

- SIDCO should substantially increase the quantum of financial assistance, as 50% of beneficiaries received amounts below Rs. 1,00,000, which is insufficient for meaningful capital investment or expansion.
- The duration and repayment tenure of financial support should be extended beyond one year to allow enterprises to realize tangible benefits and reduce financial strain.
- A dedicated mentoring and business advisory mechanism should be introduced alongside financial disbursement to improve effective fund utilization and strategic business planning.
- SIDCO should introduce targeted schemes to improve working capital stability, given that 45% of respondents reported no improvement in this critical area.
- Technology upgradation subsidies and special incentives for machinery modernization should be strengthened to enhance production capacity and competitiveness.
- Wider awareness campaigns, workshops, and digital outreach programs should be conducted to reach underserved MSME segments and increase scheme penetration.
- Loan procedures should be simplified and collateral requirements relaxed, particularly for micro-enterprises, to remove persistent access barriers.
- A robust post-disbursement monitoring system should be established to track MSME performance and ensure financial assistance achieves its intended outcomes.

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10. CONCLUSION

This study provides empirical evidence on the impact of SIDCO financial assistance on MSME growth and performance in Trivandrum. The findings affirm that SIDCO plays a significant and constructive role in supporting the MSME ecosystem — positively influencing market expansion, production capacity, and overall beneficiary satisfaction. The strong positive correlation between revenue growth and business expansion ($r = 0.886$) validates the developmental linkage that financial assistance creates.

However, the study also highlights critical gaps: the modest scale and short duration of assistance limits its transformative potential in key areas such as revenue growth, working capital stability, and long-term investment. The absence of a statistically significant association between financial support adequacy and working capital stability underscores the need for a more holistic and sustained support framework.

To maximize impact, SIDCO must evolve beyond transactional financial disbursement to become a comprehensive MSME development partner — offering higher loan amounts, longer repayment tenures, capacity building, mentorship, and robust performance monitoring. Strengthening these dimensions will position SIDCO as a more effective catalyst for sustainable MSME growth, enhanced financial performance, and greater industrial competitiveness in Kerala.

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