# Overview of Potential for Supply Chain Finance for Small Businesses in India

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## ABSTRACT

The term Small Business Entities, is a collective term of Micro, Small and Medium Enterprises and known as MSME in Indian context. They are in the bottom of the pyramid of the Supply Chain, but they are in multitude in India, say 63.4mn, the contribution to National GDP in manufacturing is 6.11% and in Services it is 24.63%., 33.4% of manufacturing output, 45% of export, providing employment to 120mn population in India. About 20% of MSME are based in rural areas, which indicates, deployment of significant rural workforce in MSME Sector (India Matters, #cii4india, Confederation of Indian Industry, www.cii.in/sectors). Though, Small Business Enterprises in India suffers a lot with inherent weaknesses of inaccessibility to capital, long Day Sales Outstanding, low technology use. In Indian context there are not much of studies carried out, in this combination of relevance of supply chain with respect to small business. This study aims at exploring and exposing the potential of small business entities in India, clarifying how their potential could be best used by financial assistance.

***Keywords: Small Business, Micro Small and Medium Enterprises, Supply Chain, Supply Chain Financing.***

## 1. INTRODUCTION

'Small Business Entities are minutely classified in India as Micro, Small and Medium Enterprises (MSME). MSME is the dominant segment in the Indian trade and commerce. Their contribution to Gross Domestic Product (GDP) is 28.90% as on 2017. There are 63.05 mn MSMEs (rural 32.4 mn, urban 30.9 mn) are there and they employ 110.9 mn work force, and thus MSMEs are significant for the country's growth.(Annual Report, 2018-19 Ministry of MSME, GoI) Classification of Small Business, each country has their own classification, they read them by way of number of employees, investment, turn over. India has classified MSMEs according to their investment in plant and machinery and turnover.

Indian Government has revised the classification on 03rd June 2020, effective from 01st July 2020, for reviving the economy which went down due to lock-down of the nation for controlling the novel 'corana virus' spread. As part of new definition, Exports will not be counted in turnover for any enterprises whether micro, small or medium.

As per this announcement, the definition of Micro manufacturing and services units was increased to Rs. 1 Crore of investment and Rs. 5 Crore of turnover. The limit of small unit was increased to Rs. 10 Crore of investment and Rs 50 Crore of turnover. Similarly, the limit of medium unit was increased to Rs. 20 Crore of investment and Rs. 100 Crore of turnover. The Government of India on 01.06.2020 decided for further upward revision of the MSME Definition. For medium Enterprises, now it will be Rs. 50 Crore of investment and Rs. 250 Crore of turnover. Now, there will be no difference between manufacturing and service sectors. Also, a new criterion of turnover is added.

Small business enterprises, suffers to progress because of the limited or inadequate access to capital, long outstanding receivables, lack of use of technology. Government supports on the supply side for the small business enterprises, by way of sovereign guarantee of Rs.0.3 mn to banks to fund MSMEs, also announced set up a Fund of Fund of Rs. 0.05mn to address the equity subsidising, similar to Technology Upgradation Fund which is available for capital goods purchase. India lacks in logistics. Logistics is still in nascent stage, even a decade over, this is because of the infrastructure like rail, road, ports, and airports are still India need to cover entire geography. North Eastern, Eastern regions are yet to develop in surface, air, sea transports. India has covered 5.8 million kilo meters of roads and ranked 2 across world, next to United States of America, even then the number of kilo meters per thousand population is 4.8 (Basic Road Statistics of India 2016-2017, Ministry of Road Transport and Highways Transport Research Wing, Government of India).

India is expected to rise to 3.02 trillion economy in 2020, which would amount 4% of Global GDP, if not the COVID 19 and lockdown frictions have come in its way of growth. Indian Government has dedicated a stimulus package of $ 0.26 trillion (10% of its GDP) to revive the economy, and to achieve the mission seamlessly. Increasing investments and trade points toward a healthy outlook for the Indian freight sector, Port capacity is expected to grow at a CAGR of 5% to 6% by 2022, thereby, adding a capacity of 275 to 325 MT. Indian Railways aims to increase its freight traffic from 1.1 billion tons in 2017 to 3.3 billion tons in 2030. Freight traffic on airports in India has the potential to reach 17 million tons by FY40. Lack of supporting infrastructure, automated material handling systems, and high manual process interference are some key areas where the Indian air cargo industry lags its global peers. (www.businesswire.com). But still, there are certain things still to improve in India, in logistics infrastructure, legal framework, digital platforms viz., FinTechs. Indian Logistics presently largely depends on the road infrastructure, where as North Eastern and Eastern parts of India, are still to be connected with rest of the country. Number of Airports, to be added, runways size and capacity to be improved to receive the global cargo flights, Sea Ports to be improved with berth capacity, Turn around loading time, and also newer ports to be identified and established so as to reduce the sea nautical miles.

Logistics Cost in India is 13% to 17% of country's GDP whereas developed countries cost of logistics is 6% to 9% of GDP, India's cost is almost double owing to the low infrastructure, multi-tax system. Now India has addressed the multi-tax system, by introducing Goods and Service Tax uniform taxation across India, which reduced the transit time from 5-6 days to 3-4 days now on an average (Knight & Frank, 2018). Presently India's warehousing capacity, cold chain transportation facility are adequate to facilitate the projected growth. Understanding the significance, Government has allowed 100% Foreign Direct Investment in logistics sector with automatic route, no prior approval is needed. Secondly, India has recently brought logistics and warehousing under Infrastructure classification, which will boost the investments in logistics infrastructure, aside, Government is setting up 5 industrial corridors across nation to connect with ports. These are the measures which will reduce the transit time, and directly reduces the cash-to-cash cycle considerably and improve the working capital efficiency.

With these above impediments, Small business is progressing. Their cash-to-cash cycle is long since, everywhere in the value chain, the money is held up as outstanding, which is amounting a big reason for low performance. Not waiting the infrastructure to develop and come to usage, presently the supply chain could be supported with finance. Supply chain finance an attractive solution to the business community, it is not such a house hold name, in India as banks are not aggressive, because of reasons like stamping charges, no active presence of FinTech companies, information asymmetries in the Indian supply chain, credit insurance, are which Government has to pay attention. Presently, few banks like, HSBC, HDFC Bank, ICICI Bank, Indusind Bank, State Bank of India, Bank of Baroda, and some other nationalised banks are funding the supply chain, but a very few MSME only are able to avail. Hence, we identify the supply chain as a armour of support to Small Business in India, which is not utilised by MSMEs and Corporations very well. This bare fact, lead us to conduct the study to find the gap and address.

**EVOLUTION**

Factoring one of the products in Supply Chain finance is speculated to be a very olden practice, evolved before 2000 years in christican era begun. The trace of function could be found from Roman Empire, where properties of estates are managed by agents. The evidence of existence of factory could be found in 13th century in Italy, in 17th century it was known as '*del credere'* which means undertaking responsibility of creditworthiness of the buyer. Around this period, factors have carried various functions like, sale of goods, financing goods, collection of debt. (I.M.Pandey,1994).

Supply Chain Finance is a recent introduction into the financing of business. To understand the Supply Chain Finance, Supply Chain Management is to be known, and the background why such a concept is evolved to be known. Supply Chain Management is an effective financial product of reducing the cost of goods. The concept born during the 2008 financial crisis in United States of America, and its impact to the rest of the world.

Great Financial Recession or 2008 Financial Crisis: After 1929, the great financial recession busted out in March 2008 in USA. The core reason behind this is Federal Reserve, the regulator of USA banks, has allowed banks to hedge funds and trade derivatives. The Financial Modernisation Act is introduced, repealing Glass-Steagall Act of 1933 and allowed the banks to invest depositors money in derivatives in the year 2004. Banks thought Mortgage Based Assets are profitable, and there was a huge competition to buy these risky mortgage based assets, resulting the banks and Home Finance companies to lend to subprime borrowers. As a cumulative effect, housing prices start to fall, initially appeared stabilisation but later understood as crash down. On the fear psychosis, banks stopped lending or trading derivatives among them, at the same time buyer's predominantly home loanees, could not pay or sell the properties they have mortgaged under home loan. This has created banks, home finance, America Insurance Group, every one to fall down. Timely bail out by US government has brought back the economy to seat. This testing time made business houses, since of recession, the cash to cash cycle went so long , business become cost conscious and eying for other hybrid products which comes collateral free, since the mortgage based loan also doesn't help as property price crash down. This gave the birth of Supply Chain Management, which included supply chain financing. The supply chain financing assistance improved the working capital efficiency of the Channel Partners. The most advantageous characteristics in supply chain finance is the complete control over the end use of funds, and underlying collateral that arise then and there through-out the chain, also leveraging the credit worthiness of the anchor company, entire chain will be availing financial benefit, normally at the majority, micro, small, medium enterprises are in the chain.

**Concept of Supply Chain Financing and Models**

**Concept:** To understand the concept of supply chain financing, one need to understand the Value Chain, Supply Chain, logistics, supply chain management, Fintech platforms, lending, Channel partners, vendors, small business enterprises and their problems. We flow the terms in orderly manner so as to easy understanding.

**Value Chain:** The concept of 'Value Chain' is first introduced by Porter (1985), which describes the full range of activities, which are required to bring a product or service from conception, through different phases of production, distribution to consumers and final disposal after use. After reading articles and papers, Value Chain is creating value and/ or adding value in every subsequent movement in the chain, either it is buyer driven cycle, or producer driven cycle, so as to realise the ultimate benefit and satisfaction of the consumer who use the product or service. Value addition implies both value creation and value capture that arise in the value chain.

**SUPPLY CHAIN:**

Supply Chain is defined as "Starting with unprocessed raw materials and ending with the final customer using the finished goods, the supply chain links many companies together, the material and information interchanges in the logistics process stretching from acquisition of raw materials to delivery of finished products to the end user. "(Council of Supply Chain Management Professional's Glossory, 2013, P 186). Supply Chain is defined as a set of three or more entities (organisations or individuals) directly involved in the upstream and downstream flows of the products, services, finances, and/or information from a source to a customer (John. T.Mentzer et al., 2001) Thus, Our view of supply chain is the linkage of Channel Partners and process both upstream and downstream in the cash to cash cycle. That is from procurement of raw material to the end user of the product or service. Channel Partners includes, producers, suppliers, distributors, dealers, warehouses, storage, logistics (both in-bound and out-bound).

**Supply Chain Management:**

Supply Chain Management is a combination of management philosophy and implementation of that philosophy, and management process. Supply Chain just possessing Management Philosophy is Supply Chain Orientation.

1. **Supply Chain Management as Philosophy**:-As a Philosophy, supply chain management takes a systems approach that entire supply chain as a single entity rather than view as fragmented parts, each performing its own function (Ellram & Cooper 1990). SCM as a Management Philosophy has following characteristics (Mentzer et al., 2001).
    a. A systems approach to view the supply chain as a whole and to manage the total flow of goods inventory from the supplier to ultimate customer
    b. A strategic orientation toward cooperative efforts to synchronize and converge intra-firm and intra firm operational and strategic capabilities into a unified whole
    c. A customer focus to create unique and individualised sources of customer value, leading to customer satisfaction

2. Supply chain management as activities to implementation of philosophy (Mentzer et al., 2001): 1. Integrated Behavior 2.Mutually Sharing Information 3. Mutually sharing Risks and Rewards 4.Cooperation 5.Same goal and same focus on Serving Customers 6.Integration of Process 7. Partners to build and maintain long term relationships
3. Supply Chain Management as a Set of Management Process management process as a structured and measured se\t of activities designed to produce specific output for a
4. Customer or market. (Mentzer defines et.al., 2001)

Our view after the literature review, is that, Supply Chain Management is a philosophical process in support of linking all the connected participant in the supply chain eco system, in the production of final goods or services, right from ultimate supplier to ultimate consumer, so as to bring and maintain efficacy to all in the chain including ultimate consumer.

**Logistics Infrastructure:** The term Logistics is not just transporting, but it is a function of hinging between and encompassing each stages of cash-to-cash cycle. Right from procurement, to end user of goods or service, logistics infrastructure is required. Logistics is about moving material information and funds from one business to another business or from a business to a customer. Logistics is an important part of the business-economic system and is a major global economic activity. It encompasses activities like freight transportation, ware housing, material handling, protective packaging, inventory control; order processing, marketing, forecasting, and customer service (Viswanatham N & M Puvaneswari, 2004).

**Supply Chain Finance (SCF):** There many definitions for supply chain financing, which are ultimately closer to each other. Some are produced here under for understanding supply chain finance (SCF). Supply Chain Finance is defined as use of financing and risk mitigation practices and techniques to optimise the management of the working capital and liquidity invested in supply chain process and transactions. Supply Chain Finance is typically applied to open account trade and is triggered by Supply Chain events. Visibility of underlying trade flows by the finance providers is necessary component of such financing arrangements which can be enabled by technology platform. (Standard Definitions for Techniques of Supply Chain Finance, Global Supply Chain Forum ,2016)

As global supply chains stretch across the globe with multinational buyers on one side and a diverse group of suppliers in numerous countries on the other, corporations are under pressure to unlock the working capital trapped in their supply chains. Supply chain finance, also known as supplier finance or reverse factoring, is a set of solutions that optimizes cash flow by allowing businesses to lengthen their payment terms to their suppliers while providing the option for their large and SME suppliers to get paid early. This results in a win-win situation for the buyer and supplier. The buyer optimizes working capital, and the supplier generates additional operating cash flow, thus minimizing risk across the supply chain (www.primerevenue.com)**.

After reviewing the literature in this regard, our view is Supply Chain Finance is a facility to the stake holders in the Supply Chain leveraging the credit worthiness of the anchor company, who forms the supply chain, charging the underlying assets as collateral, releasing the funds locked up in the respective links in the chain, at a discount or interest charge, so as to maximize the working capital efficiency, reduce the turn-around time in the cash to cash cycle, enabling to deliver the final product or service to the end consumer , a maximum benefit out of it, at a lower

**Models of Supply Chain Finance:**

Before going into the details of Models, we need to understand the concepts like Anchor Company, Cash-to-Cash Cycle, logistics, Fintech, information asymmetry involved in the cycle. Anchor Company is the company which is normally a corporation, manufacturing goods or service, and having strong financials. Cash-to-Cash Cycle means the production cycle starts from procurement of raw material to realization of cash from ultimate consumer. In clear terms, the Cash in the cycle flows upstream to the supplier from Anchor Company, and to flows down stream upto the ultimate customer. In the trajectory of such flows, cash gets stagnant, with the in between links or participants, by way of days sales outstanding (DSO)/ receivables, and /or Days Payable Outstanding (DPO)/ payables, Days in Inventory (DII)/Stock holding. These are pre-dominant traps where cash held or drip. In brief, a manufacturer, needs to pay cash to supplier on purchase, and needs to allow credit period to his distributor/dealer/customer and vice versa., the supplier to sell on credit to manufacturer, dealer/distributor/customer are to pay immediate. This creates an imbalance, in the entire supply chain, and creates, under/low performance of working capital employed in the business. Supply Chain Finance comes as a solution to this problem, it eyes on the traps, and liquidates, the funds held, so as to speed up the working capital use efficiently. Supply Chain Finance models, used to fund, Days Sales Outstanding, Days in Inventory, Days Payable Outstanding. Logistics is an essential and inseparable utility in the supply chain, which really cements the links in the supply chain. Logistics is not just transporting goods, but more than that facilitates, order placing, inventory management, invoicing, insurance, tracking the consignment. Thus it's a synergic effort to converge the supply chain to optimum delivery. Thus, Logistics also a fundable proposition in the supply chain finance. Logistics is a wholesale term of inbound, outbo\und, inplant logistics. Inbound logistics is on the upstream of the chain, inplant logistics means the logistics that required in the production unit includes ware-housing, out bound logistics is on the downstream side of the supply chain.

**PrimeRevenue is a leading online platform for working capital financing through out the supplychain, established in 2003 in Atlanta in USA, having 30000 clients across the globe. They operate in USA,Canada,Europe, South Asia, they have tie up with banks, corporate to facilitate funding to corporate and MSMEs

Supply Chain Finance globally has two models and they are:

1. **Receivable Purchase Model:** Banks/Financial Institution finances the seller through purchase of receivables and such receivables are taken off from the balance sheet, and banks/Financial institutions owns the rights as the lender. Against the purchase of the receivables seller receives advance amount after a certain margin or discount. This model has following products
   a) Receivable Discounting: Banks or Financial Institution purchases, whole or part of
   b) The receivables from the larger corporate (anchor company) and fund the same to corporate at a discount, on maturity of the bill or invoice buyers pays back to the bank
   c) Or financial institution. It may be noted that the buyer is not aware of the funding. Purchase of receivable can be with or without recourse.
   d) Forfeiting: Forfeiting is a facility to purchase future obligations represented by financial instruments viz., Letter of Credit, Demand Promissory Note, at a discount, on maturity the buyer pays the face

value of the instrument to the funding bank or financial institution. This sort of funding is possible only in international transactions. The purchase can be with-out recourse, funding can be100% of face value of the instrument, but underlying instrument is a must.

e) Factoring: Factoring is a facility provided by financial institutions or banks purchases single or multiple receivables from seller of goods and services at a discount, also manages the debtor portfolio and collects the receivables. At the maturity the buyer pays back the invoice proceeds to the financial institution or bank. Purchase of receivables is made with or without recourse, the information of purchase is shared to the buyer. Upto 80% of the face value of invoice will be paid to the supplier under this facility.

f) Payable Finance (Reverse Factoring): Reverse factoring is a payable finance, where the anchor company approaches the financing institution/ bank to avail funding for the payables to their supplier. Leveraging the credit worthiness, credit rating, of the anchor company the financial institution or bank discounts the invoices of the suppliers on behalf of the buyer, at a discount. Here, unconditional approval of the payable is required for the payment by the buyer, without recourse.

2. **Loan Based Model:** Banks or Financial Institutions, finance the buyers or sellers by way of loan facility against the receivables, purchase order, inventory etc., Here, receivable stays in the seller's balance sheet, with the underlying asset being collateral.

   a) Loan or advance against receivable facility is offered to the seller against their present or future receivables. Unlike purchase arrangement, this product, allows funding on the performance metrics of the supplier, with security charge on receivable or without

   b) Any charge or unsecured. Facility is extended only to suppliers with strong credit rating, generally discouraged by banks because, the invoices are generally un approved by the buyer, and might risk the funding.

   c) Distributor Finance: This facility is for stock held with the distributors, generally anchor company dumps the stock beyond the requirement to the distributor to ensure availability in the market, in the competitive environment. The distributor has to pay for the inventory and to keep the same, until sold. Hence, days in inventory are improved, leads to shrink in the working capital. Banks and Financial Institutions finance the days in inventory, under direct finance by way of loans, reviewable annually, the distributor pays back on maturity. The anchor has to be high credit worthy, and the distributor should have a continuing relationship with the anchor party for long, the tripartite agreement between anchor party-bank/FI-distributor should avail, ensuring the repayment terms. Financing is with recourse, and collection responsibility is by the lender.

d) Loans or Advances against Inventory:- Funding provided to a buyer or seller holding inventory viz., pre sold, unsold, hedged. The banks or a financial institution takes the charge of underlying assets on funding, and repayment happens through proceeds of
e) Sale. This similar to ware house funding.
f) Pre-Shipment Finance: The funding from the stage of procuring raw material, and stages of conversion into semi finished, work-in-progress, finished, packing, transporting, shiping, unto delivery to the buyer is pre-shipment finance. Banks and Financial Institutions, advances the face value in the underlying commercial contracts evidenced by documentary proofs like letter of credit, confirmed order. This sort of

   funding is predominant in ex\port.

**Trade Receivable Electronic Discounting System (TReDS) :** Government has also worked on the wants of the small business, by way of creating a seamless ecosystem in supply chain financing. It is noteworthy to mention, that, TReDS plat form so as to facilitate digital market to supply chain finance, where suppliers, buyers, banks, factors, can register and upload invoice/bill of exchange, in a template form detailing the essentials like number of days outstanding, date of invoice, amount, buyer, seller details etc, The banks may send the quote to supplier or buyer for the underlying document discretely. The seller or buyer avail the loan within a short span of 2 days (T+2). Companies can get license to operate under TReDS guidelines issued by RBI to established digitalised market exchange for supply chain finance.

**FinTech Platforms:** Let's start by defining the term "fintech." So far it has meant, in effect, taking a well-known financial product -a mortgage, the ability to accept payments, life insurance, etc. and building software to make it digitally accessible as well as easier and more elegant to buy and use…… Rather than constituting a segment on its own, fintech joins the internet, cloud and mobile as the fourth major platform technology (Mathew Haris, Forbes, 2019).

Fintech companies are the recent advancement in the cyberspace and finance. It's a mix of delivery of financial products through internet, online realtime. The Fintech companies are platforms or portals where trade, financing activities like lending, payments, insurance can be accessed , operated, completed, as if they could have executed physical means. To clarify more specifically, Fintech platforms enable all the buyers, sellers, banks, financial institutions, can do

Financial transactions through their portal, and unlike net banking, the accessibility is not confined to only a single bank or finance institution, it is universal. Everyone has the option if they register with such Fintech company complying their registration norms. Simply put it's a virtual market exchange of financial transactions.

**Relevance of Supply Chain Finance in Indian Context:**

India being a developing economy, largest contributor to Gross Domestic Product (GDP) of the country is Micro, Small and Medium Enterprises. Around 21% of MSMEs are manufacturing units, 79% of MSMEs are service oriented. Its still must be high, because, many MSMEs are unorganized, unregistered. Unlike corporate, MSMEs do not subject to much of legal compliance and reporting, external credit rating, banks are not in a position to measure the risk, as they are able to in Corporate, so that, bank lending is not liberal in spite of stimulus from Government. Because of inaccessibility of capital, lack of collateral, and long day's sales outstanding, MSMEs choose to buy from indigenous money lenders, friend and relatives, chit funds since they lend easily without requirement of much of documents, appraisal, and time-lag (www.ifc.org).***

There is a need for raising awareness around the benefits of adopting Supply chain finance by large and small corporate. The Indian market has typically had a muted response to supply chain finance compared to the far wider take-up in western countries like UK, Italy, France, Germany, and Spain. In the

UK, for every 100 dollars of GDP, 12 dollars are addressed by Supply Chain Financing, which is incredible when compared to all the other countries.

Supply Chain Finance is much less than 1% of our GDP, a major reason for this is because of large companies pay late to their suppliers using Prisoner's dilemma. There is a huge value in Supply Chain Financing, which could result in a massive 50% drop in the cost of working capital. In the last couple of years India has shown some benchmark with corporate and banks partnering for successful deals. Very recently Maruti Suzuki partnered with Bank of Baroda for dealer financing. Most importantly, negligible non-performing asset (NPAs) in the segment is a driving factor for banks, which they attribute to the inherent structure of the SCF. (Mr.Manish Sinha, Managing Director, Dun & BradSteet, www.smeworld.asia)

Supply Chain finance is not a complimentary function, instead it is a supplementary function to bank lending, education about supply chain finance is required in India, at all levels of corporate, or MSMEs, trading community, banks also. There are lot of developments happened in the recent past in India, in legal structure, infrastructure, technology, TReDS guidelines by RBI is a mile stone development, lot of Fintech companies started to play in this field, but being start-up entrepreneurs with low capital base, expansion is slow, once, the large corporate e\nter into FinTech, the game will change. TReDS are Peer-to-Peer Solution, FinTechs are Business-to-Business Solution, they play are larger role. In the past 5 years banks witnessed growth in Supply Chain Finance. I am optimistic about future of Supply Chain Finance is very bright and \it will grow in multitude *(Mr. Naveen Goel, Country Head, Indusind Bank, personal interview over phone by the researcher on 28/06/2020).*

## 2. LEGAL FRAMEWORK

It started with constituting a committee under the chairmanship of Mr. Kalyanasundram Former Chairman SBI, to examine the feasibility of factoring in India, Group submitted its report in 1989 and key take away are there is sufficient scope for factory and factoring is a complimentary function to banking services.(Kavita Chavli, 2012). Then a working group for the discounting / rediscounting of bills by banks under the chairmanship of Mr. K R Ramamurthy ex-chairman of Vysya Bank, recommendation has been circulated to banks vide circular dated on 24th January 2003 (www.rbi.org.in/scripts). This was the ever first circular concerning the supply chain finance. Later in 2011, an exclusive act was passed by parliament called Factoring Act, 2011. It widely covers the modalities of conducting factoring business in India, Factors, and responsibilities of the debtor, creditor, factor, silencing factors, regulation of factoring business India. It also waived the stamp duty for assignment in the same act.(www.indiacode.nic.in) However, the act confines only to Factoring and Reverse Factoring. Then in 2014, Reserve Bank of India has published "Guidelines for Setting up of and operating the Trade Receivable Discounting System (TReDS), which is a milestone step, since TReDS is a platform where the intended buyers and sellers register and factors would fund the receivables. This is expected to give a greater mileage in Supply Chain Financing in India. But still, India is in nascent stage in develop\ing the legal frame work for whole Supply Chain Financing Business, since supply chain consists of not only buyer and seller, but also other participants like dealer distributor, logistics, and other service providers to the manufacture of final product.

It may be worthwhile to mention India Incorporated, has been creating an eco-system by way of many enactments, rules and regulations, as enablers to Supply Chain Finance. Some of them are Insolvency and Bankruptcy Code 2016, MSME (Amendment) Act, 2015, SARFAESI Act, Asset Reconstruction Companies etc.

| Legal & Regulatory Framework | Direct Government Support | Infrastructure Support |
|---|---|---|
| MSME Amendment Bill 2015<br>SARFAESI Act 2002<br>Priority Sector Lending<br>\<br>Regulation of Factor (Assignment of Receivables) Bill, 2011<br>Companies Act, 2013<br><br>Insolvency and Bankruptcy Code 2016<br>Constitution Amendment Bill - Goods and Services Tax Act 2014 | Subsidy Based Support<br>Public Procurement Policy<br>Credit Guarantee Scheme | Credit Information companies<br>Collateral Registry<br>Asset Reconstruction Company for SME<br>Trade Receivable Discounting System (TReDS) |

Source: www.ifc.org***

*** IFC, International finance corporation is a sister concern of World Bank facilitating funds to private sector across globe

**3. STATEMENT OF THE PROBLEM**

The management of Cash conversion cycle or Cash-to-Cash Cycle at optimum low level is a great challenge for both Corporations and Micro, small and medium enterprises (MSMEs). Cash Conversion Cycle is a sum of Days Sales outstanding plus Days in inventory minus Days payable outstanding, shortly the equation is CCC=(DSO+DII)-DPO. The low or negative Cash Conversion Cycle tells the enterprise is liquid, and meet the payment obligations, self sufficiently. On the contrary, if high or positive cash conversion cycle represents the enterprise or corporation are not self sufficient to make payments. If the corporation's Days Payable Outstanding is high, even though their cash conversion cycle is low or negative, the supply chain is weekly organised, since, high DPO represents, the channel partner's money is held up with the corporation, and corporation use it as its working capital. This is the prevailing scenario, in developing countries, like India.

MSMEs cash conversion cycle swells because the corporation in the supply chain elongate these small enterprises days' sales outstanding. To combat with the competition and to survive, MSMEs are pulled in a open account trade environment, and the days sales outstanding gets elongated. In reality Corporations enjoy credit period range from 30 to 90 days, in some cases, extends upto 120 days. (D&B Publications, 2018). Since, Micro, Small and Medium Enterprises are small business units; access to capital is an issue to them and long days sales outstanding, is leading them to low performance. Commercial Banks in India, works on the historical data to appraise their wants, also credit rating is also an issue to them, because of small size and able to meet benchmark standards, hence, MSMEs suffer for survival. On the other hand, their contribution to Gross Domestic Product (GDP) is 28.90% as on 2017.

There are 63.05 mn MSMEs (rural 32.4 mn, urban 30.9 mn) are there and they employ 110.9 mn work force, and thus MSMEs are significant for the country's growth.(Annual Report, 2018-19 Ministry of MSME, GoI). Corporations also without the supply from MSME, cannot run the show, also, MSMEs as channel partners having trapped with illiquid assets, radiates the weakness to corporations themselves. It is also to be noted, Government of India, has floated subsidies, sovereign guarantee to loans offered to MSMEs, special schemes like MUDRA loan, etc to improve MSMEs performance. These are all enthusing the MSMEs on the supply side, but real want is on the demand side of the supply chain. Because, their funds are locked up in the supply chain at every stage, right from procurement to final product sold. That is in a cash-to-cash cycle, supplier's money is locked up with buyer, buyer's money is locked up with distributor/dealer, dealer/distributor' money is held up with the retailer.

With the glaring problems explained above are prevailing still in the Indian trade, from the reviewed literature we are finding a gap that, it is not studied about the behaviour of Cash Conversion Cycle of the Corporations, that impact their performance, so as to cite the potential of Supply Chain finance in Indian Market empirically,

**4. REVIEW OF LITERATURE**

There are many research studies conducted in supply chain finance area, globally, but very limited in Supply Chain Finance industry in India, and its relevance to small business enterprises in India. We have however gone through several e-published articles, publications, books and periodicals, Regulatory guidelines. We have given the reviewed literature here under

**I.M. Pandey (1994),** "Relevance of Factoring In a Developing Country:-Case of India"-The study describes, factoring is a system of credit administration, collection and financing, it can be prove to be advantageous in developing country like India. Small Scale Enterprises in India face a serious problem of credit management and collection, and the factoring will be helpful to them. But developing countries require policy initiatives to resolve organisations, legal, funding and managerial issues.

**John T Mentzer et., al (2001),** "Defining Supply Chain Management"- The study is significant in Supply chain management research, as this is the first study defines clearly the term supply chain and supply chain management. To define the supply chain, it has gone in deep, to understand the whole cash to cash cycle, and has gone beyond the supply chain and explains about direct supply chain, extended supply chain and ultimate supply chain.

**Viswanadham N &M Puvaneswari (2004), "**Research Report-India Logistics Industry"-The Study extensively covered the logistics industry in India, including areas of challenges. The study throws a complete focal light over the lacunae in logistics infrastructure, gives comparative analysis with developed countries, and useful suggestions to the development and growth of Indian logistics industry.

**Wesley S Randal and M.Theodre Farris II (2009),** "Supply Chain Financing: Using Cash-to-Cash Variables to strengthen the supply chain" Study is to clarify how supply chain finance is useful to improve profitability and performance, paper used case based approach

**Harman Preet Singh (2011), "**Channel Financing: The Transformational Paradigm in Supply Chain Management**"-**The study adapts exploratory research approach, to find out the challenges faced by Channel Partners and Buyer companies. Author has collected data from 60 corporations and 300 experts in channel finance, by way of perpetual questionnaire, and used likert scale to derive out the correlation. His findings such as organisations face challenges like, unpredictive cash flows, need of collaborative technology, inadequate financial risk management, uncertain inventory and financials are still prevailing.

**Kavita Chavli (2012),** "Factoring a Finance Relief of MSME in India"- The study describes the feasibility of factoring in India and its use to micro, small, and medium enterprises. Study suggests, the legislative bottlenecks to clear as soon as possible, including stamping.

**Ashok Kumar Panigrahi (2013)-"**Cash Conversion Cycle and Firm's Profitability-A Study of Cement Manufacturing Companies of India"- Study has set the explanatory variable as cash conversion cycle and control variables as Firm Size, ratios. Study resulted not always the return

on assets and equity need to positive, when negative cash conversion cycle. The firms are able

to sell inventory, and collect receivables, before they pay their payables. Firms are not under pressure to reduce, inventory period, receivable period and extend payable period.

**Harman Preet Singh, Virinder Kumar Sambher & Anurag Agarwal (2015),** conducted a study on "Channel Financing: The Emerging Cutting Edge Technology in E-Supply Chains"- The Study suggests that supply chain finance improves Return on Investment, Economic value addition to the corporations and Small business as well. Study found that, the collaborative effort by all the channel partners is critical for success. Concludes, for facilitating the supply chain finance, integrating physical chain with virtual platform is necessary.

**International Finance Corporation (2018),** "Financing India's MSME's-Estimation of Debt Requirement of MSMEs in India" –This study conducted by World Bank group's wing, a private organisation called International Finance Corporation. Study conducted along with World Bank Group, Intellecap teams. Study extensively covers MSME industry in India, including Supply Chain Finance relevance.

**Pallavi Vartak & Vishal Hotchandani (2019),** in th\eir study **"**Working Capital Management and Firm Performance-Evidence from Indian Listed Firm-examines the impact of working capital management on firms financial performance of fourteen firms listed on the Bombay Stock Exchange for the ten year period from 2009-2018. Pearson's correlation and multiple regression models were used to estimate the coefficients of the explanatory variables. Based on the key findings from this study it has been concluded that the management of a firm can create value for their shareholders by reducing the number of day's average receivables, inventory turnover and cash conversion cycle.

**Lokeswari. E, (2019)**, conducted a study on "Efficiency Analysis of Working Capital Management"- this Study examines the financial performance of select FMCG companies and found, that, companies with negative cash conversion cycle yields better profits, compared to the positive cash conversion cycle and also, negative networking capital companies with negative cash conversion cycle make good return on capital employed.

## 5. OBJECTIVES OF THE STUDY

1. To understand the evolution and legal framework of Supply Chain Finance in India.
2. To study the delayed payment collection of Small Business Enterprises in India and to make suggestions.
3. To study the impact of cash conversion cycle of corporations on their top line and bottom line.
4. To study the relevance of supply chain finance in Small Business Enterprises in India.

## 6. HYPOTHESIS

We study the influence of Cash conversion cycle in anchor company/corporate's sale performance and profitability so as to find the relevance of supply chain finance necessity by way of two Null Hypothesis as follow

Null H0: Cash conversion cycle has no impact on Sales Turn over in Indian Corporate

H1: Cash Conversion cycle has no impact on Profitability of Indian Corporate

**Scope of the Study:** The study is limited to select corporations, and their financials published in periodicals, Annual Reports. This study scopes the objective, from the Fiscal year 2015-2020 through these indicators and the data.

Scope period further limited for the set hypotheses, as 2017, 2018, 2019 fiscal years.

**7. RESEARCH METHODOLOGY AND SAMPLING**

**Methodology:** The present study is based on exploratory research, using mixed approaches of both quantitative and qualitative. This study primarily based upon secondary data, Data have been pulled out from various sources, viz., Annual Reports of select corporate, Supply Chain Finance Barometer, International Finance Corporation, economic dailies, MSME-SAMADHAAN website. *

* MSME SAMADHAAN is a portal to monitor delayed payment monitoring, instituted by Ministry of Micro, Small and Medium Enterprises, Government of India.

**Sample Design:** Purposive sampling method is adopted, to select corporate who have market capitalisation over Rs.3000 crore, and negative and positive cash conversion cycle corporations since Supply Chain Finance is at nascent stage in India, collecting data is being a challenge one.

**Tools for analysis:** Analysis of Variance- Correlation analysis, financial ratios has been used wherever necessary in the study.

**8. LIMITATIONS OF STUDY**

The study is not far from limitations. The limitations inherent in statistical tools apply to this study also. Supply Chain Finance in India is in nascent stage, the most popular in Indian co\ntext is 'factoring' and the 'reverse factoring' or 'payable finance' also covered under a larger term 'factoring' through Factoring Act 2011. Fintech companies also very few in supply chain finance, only few commercial banks are active in channel finance. Since very few operators, lack of coordination, so far data set is not available exclusive to India. Hence, our study depends, fragmented data found in various studies, reports, publications, periodicals.

**9. ANALYSIS AND DISCUSSION:**

The study is considering the quantitative and qualitative analysis since the Supply Chain Finance is in nascent stage in India, data is very limited.

**Potential of Supply Chain Finance for Small Business Enterprises in India**

We have sighted the potential in two aspects in India, in the absence of empirical data for supply chain financed data. One is on the Delayed Payment front, another is we have pulled out corporate cash conversion cycle and its impact on the corporate financials.

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**Delayed Payment:**

Days Sales Outstanding is long in India, in absence of active supply chain finance model. Though banks and financial institutions are lending through products like 'reverse factoring', 'dealer finance' still it is very marginally reached the trading community. Sea of opportunity is still there. MSME-SAMADHAAN, is digitalised system to monitor delayed payments to MSMEs, under MSME Facilitation council set up state-wise under section 20/21 of Micro Small Medium Enterprises Development Act, 2006. There are 46742 applications by MSMEs against the buyers for not settling payments for a total value of Rs.13765.51 crore. Applications yet to peruse by council are 20631 for a total value of Rs.6643.73 crore, which itself is evident the need for supply chain finance. Buyers include public sector undertakings also. Refer Table I, which is furnishing the details of delayed payment disputes pending with facilitation councils.

**Table 1**
**Applications Filed By Small and Micro Enterprises (MSE)**
**MSME SAMADHAAN Delayed Payment Monitoring Portal**

| S.No. | Respondent Name | Applications filed by MSEs\ | Applications Visible to Council after 15 days | Application Disposed by MSEFC Council | Amount Payable (Rs. in Crore) | Disposed Amount (Rs. In Crore) |
|---|---|---|---|---|---|---|
| 1 | Central Ministries | 642 | 265 | 40 | 313.85 | 16.83 |
| 2 | Central Department | 1050 | 419 | 52 | 341.64 | 9.97 |
| 3 | Central PSU | 3014 | 1107 | 195 | 2269.65 | 71.46 |
| 4 | Railway Zone | 338 | 162 | 18 | 118.67 | 1.69 |
| 5 | Railway Division | 291 | 148 | 17 | 53.37 | 0.73 |
| 6 | Ordnance Factory | 89 | 25 | 20 | 59.66 | 39.05 |
| 7 | State Govts. | 4008 | 1850 | 244 | 2357.33 | 62.23 |
| 8 | State PSUs | 1349 | 585 | 93 | 1373.38 | 18.2 |
| 9 | MSME Unit | 3180 | 1262 | 242 | 432.54 | 51.85 |
| 10 | Individual | 1955 | 527 | 138 | 166.13 | 9.31 |
| 11 | Proprietorship | 8117 | 3462 | 563 | 1043.09 | 40.64 |
| 12 | Others | 22709 | 8885 | 1824 | 5236.2 | 320.51 |
| | Grand Total | 46742 | 18697 | 3446 | 13765.51 | 642.47 |

Source: MSME SAMADHAAN Delayed Payment Monitoring Portal (Fig as on 29th June 2020) (https://samadhaan.msme.gov.in)

From the above table 1, others, displays, that, viz., Non individuals, which are predominantly corporate amounts Rs.5236 crore is pending for settlement, dispute settled is Rs.320.51 crore only. Aside, Central and State Governments are major contributors for delayed payment. This could have been addressed, well earlier before dispute arises, by way of supply chain finance, at the time of origination of supply. The delayed payment h as been referred by MSMEs to the MSME facilitation councils is only few, but in reality it should be much more delayed payment cases, as many MSMEs are not come forward to file with facilitation councils since they continue to supply to the corporate, for running the business not minding their strain, which ultimately affects the supply chain, including the corporate buyers performance. Had it been they availed supply chain finance, their cash to cash cycle would have been reduced, performance would have been doubled up. Table I only shows us the filed cases, that too 18697 crores of unsettled amount. This phenomena demands a clarification of the business paradigm in India, and opens up a research area for addressing to the delayed payment of and relevance to MSMEs cash conversion cycle, of the corporate buyers, so as to strengthen the supply chain, performance of the companies, and their contribution to the Gross Domestic Product of the nation.

**Cash Conversion Cycle (CCC):**

Cash Conversion Cycle is the ability of the business enterprises to realise investment right from purchase, converting into finished goods, transporting, selling and realising the same in to cash. The entire finance flow involved right from raw material purchase to sales realisation

is cash conversion cycle. This is different from revenue. Revenue is the income generated, where as cash conversion cycle is the ability to meet cash requirements or keeping liquidity

in the system. A low or negative cash conversion cycle represents the business unit is liquid to meet its payment obligations. A highly positive cash conversion indicates, the business unit is not able to meet its payment obligations as committed and timely.

We have conducted a study on the Cash Conversion Cycle, of select corporate from fields of activity where MSME's dependence to these corporate for supply is visible. We picked companies from manufacturing segments like food, automobile, pharmaceutical, aviation, and communication.

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**Table 2**

**Cash Conversion Cycle (Rupees in Billion)**

| | **Trade payble to Micro and Small** | | | **Cash Conversion Cycle (days)** | | | **Sales** | | | **Profit** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Companies** | **2017** | **2018** | **2019** | **2017** | **2018** | **2019** | **2017** | **2018** | **2019** | **2017** | **2018** | **2019** |
| ITC LTD | 0 | 0.29 | 0.54 | 69 | 54 | 96 | 550 | 439.56 | 452.2 | 102 | 112.2 | 125 |
| Hero Motors | 0 | 0 | | -8 | -6 | 13 | 315.05 | 336.24 | 346.6 | 35.46 | 37.22 | 33.9 |
| Abbott LTD | 0.03 | 0.06 | 0.12 | 36 | 56 | 40 | 29.96 | 34.24 | 37.91 | 2.76 | 4.01 | 4.5 |
| RIL | 2.42 | 1.83 | 2.29 | 2 | 11 | -7 | 2737.5 | 3135.33 | 3943 | 314.3 | 336.1 | 352 |
| Indigo | 0.29 | 0.18 | 0.47 | -8 | -8 | -11 | 193.69 | 239.67 | 298.2 | 16.59 | 22.42 | 1.56 |
| Total | 2.74 | 2.36 | 3.42 | 91 | 107 | 131 | | | | | | |

Source: Compiled and computed from Annual Reports of respective companies for various years

It may be evident from table 2, that, these big corporate well manage the cash conversion cycle, they have Days payable outstanding to Micro and Small Enterprises. The total trade payable outstanding to MSMEs in 2019 for the sample companies is 3.42billion INR, and throughout the three years trade payable outstanding stood at 2.84 billion INR, Cash conversion cycle stood at 131 days for these selected companies in 2019 and a mean of Cash Conversion Cycle in these three years is 109 days. Table 2 exposes that there is huge potential for supply chain finance by way of reverse factoring, dealer finance through the big corporate in India, to the MSME Suppliers. In the table, it may be observed, that Hero Mortars do not have any payable to Micro and Small enterprises, this is because of the actively engage supply chain financing, by way of their associate NBFC Company called Herofincorp.

**Table 2 (a)**

| | Cash Conversion Cycle (days) | | | Mean | Sx | | |
|---|---|---|---|---|---|---|---|
| **COMPANY** | **2017** | **2018** | **2019** | | **2017** | **2018** | **2019** |
| ITC LTD | 69 | 54 | 96 | 73.00 | 8.00 | 180.50 | 264.50 |
| HERO MOTORS | -8 | -6 | 13 | -0.33 | 29.39 | 16.06 | 88.89 |
| ABBOTT LTD | 36 | 56 | 40 | 44.00 | 32.00 | 72.00 | 8.00 |
| RIL | 2 | 11 | -7 | 2.00 | 0.00 | 40.50 | 40.50 |
| INDIGO | -8 | -8 | -11 | -9.00 | 0.50 | 0.50 | 2.00 |

**Table 2 (b)**

| | Sales | | | Mean | Sy | | |
|---|---|---|---|---|---|---|---|
| **COMPANY** | **2017** | **2018** | **2019** | | **2017** | **2018** | **2019** |
| | | | | | | | |
| ITC LTD | 550 | 439.56 | 452 | 480.59 | 2408.87 | 841.73 | 402.71 |
| HERO MOTORS | 315.05 | 336.24 | 347 | 332.62 | 154.41 | 6.54 | 97.39 |
| ABBOTT LTD | 29.96 | 34.24 | 37.9 | 34.04 | 8.31 | 0.02 | 7.50 |
| RIL | 2737.5 | 3135.3 | 3943 | 3272.02 | 142855.8 2 | 9342.08 | 225261.43 |
| INDIGO | 193.69 | 239.67 | 298 | 243.86 | 1258.35 | 8.76 | 1477.14 |

**Table 2 (c)**

| | (X-\x')(Y-y') | | | r | | | r Squared | | |
|---|---|---|---|---|---|---|---|---|---|
| **COMPANY** | **2017** | **2018** | **2019** | **2017** | **2018** | **2019** | **2017** | **2018** | **2019** |
| ITC LTD | -138.82 | 389.7 85 | -326.37 | -1 | 1 | -1 | 1 | 1 | 1 |
| HERO MOTORS | 67.36444 | -10.2472 | 93.04444 | 1 | -1 | 1 | 1 | 1 | 1 |
| A BBOTT LTD | 16.30667 | 1.22 | -7.74667 | 1 | 1 | -1 | 1 | 1 | 1 |
| RIL | 0 | -615.105 | -3020.45 | # | -1 | -1 | # | 1 | 1 |
| INDIGO * | -25.0833 | -2.09333 | -54.3533 | -1 | -1 | -1 | 1 | 1 | 1 |

Source: Compiled and Computed from Annual Reports of the corporate
***** Inter Globe Aviation Ltd shortly referred as Indigo

From the above Tables 2 (a),(b),(c), it could be found, that, the corporate have either negative correlation or positive correlation between the variables, and with respect to the time series it changes, and forms a cross correlation. R squared value in all the years in all the sample corporate arrives at 1. This shows the selected sample is 'Good Fit' and represents the universe. Hence, the Hypothesis H0 stands rejected, and we find that , Cash Conversion Cycle impacts the Sales of the Indian corporate .

**Table –2 (d)**

| | Profit | | Mean | Sy1 | | |
|---|---|---|---|---|---|---|
| COMPANY | 2018 | 2019 | 2018.00 | 2017 | 2018 | 2019 |
| ITC LTD | 112.23 | 125 | 112.96 | 60.02 | 0.26 | 68.25 |
| HERO MOTORS | 37.22 | 33.9 | 35.51 | 0.00 | 1.46 | 1.38 |
| A BBOTT LTD | 4.01 | 4.5 | 3.76 | 0.50 | 0.03 | 0.28 |
| R | 336.12 | 352 | 334.00 | 195.03 | 2.25 | 155.41 |

| | | | | | | |
|---|---|---|---|---|---|---|
| IL | | | | | | |
| INDIGO * | 22.42 | 1.56 | 13.52 | 4.70 | 39.58 | 71.56 |

**Table 2 (e)**

| | (X-x')(Y1-y1') | | | r squared | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| COMPANY | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| ITC LTD | 21.91333 | 6.903333 | 134.3583 | 1 | 1 | 1 | 1 | 1 | 1 |
| \HERO MOTORS | 0.191667 | -4.845 | -11.0667 | 1 | -1 | -1 | 1 | 1 | 1 |
| A BBOTT LTD | \3.986667 | 1.52 | -1.48667 | 1 | 1 | -1 | 1 | 1 | 1 |
| RIL | 0 | 9.54 | -79.335 | # | 1 | -1 | 1 | 1 | 1 |
| INDIGO * | 1.533333 | 4.448333 | 11.96333 | 1 | 1 | 1 | 1 | 1 | 1 |

From the above Tables 2 (ad),(d) and (e), it could be found, that, the corporate have either negative correlation or positive correlation between the variables, and with respect to the time series it changes, and forms a cross correlation. r squared value in all the years in all the sample corporate arrives at 1. This shows the selected sample is 'Good Fit' and represents the universe. Hence, the H\ypothesis H1 stands rejected, and we find that Cash Conversion Cycle impacts the Profitability of the Indian corporate.

**10. SUGGESTIONS**

1. Indian Corporate require to be educated for availing supply chain finance, since the companies are in mood availing extended time to days payable outstanding, is improving their working capital efficiency. Our findings reveal it actually impacts the performance of entire supply chain including of the corporate. Introducing the finance in the supply chain will surely improve their performance in multi-fold than what they do now.
2. Banks need to educate the employees, their client corporate, MSMEs and encourage to avail the supply chain finance, since they are the major players in lending in India
3. Reserve Bank of India has to draft and issue an exclusive set of guidelines for supply chain finance, and may consider to advice banks for reduced rate of interest for corporate who anchor supply chain comprising majorly

MSMEs, because by funding MSMEs bank’s priority sector targets also achieved.

4. TReDS has to become an intermediary and lender as well instead of just a digital market exchange.
5. Dual Registration with GSTN, TReDS need to be unified, and it could be instantaneously log in access shall be given for TReDs while registering GSTN itself, existing GSTN holders shall be sent a log in access automatic route, on mere OTP mode of texting. It may be considered to integrate the functions of TReDS, DMSME, GST, such that lot information asymmetry may be cleared
6. Dept of MSME, Government of India, shall be pro-active to identify, bring forth the Micro, Small units, who doesn’t come forward to formal registration and continue to operate as un organised. Nearly 15% of MSMEs are only registered, 85% of MSMEs are still un organised un registered. Hence, their contribution to GDP of India is not able to compute.
7. Reserve Bank of India, may consider to reduce the capital requirement of 25 crore to 5 crore, for NBFC-factoring companies, since many Fintech are small time, a startup companies, major investment goes to digitalised platform/technology up-gradation.

## 11. CONCLUSION

The potential of Small business enterprises is under utilised in India, and Small business enterprises are exploited by corporate by way of delayed payment in view of maximum utilisation of working capital resources of the corporate, which lead the cash conversion cycle of the supply chain to swell, and results the underperformance of the stake holders including the corporate. The exploitation of small business enterprises’s funds by corporate, is not because of unwillingness to pay, but to maximisation of the use, hence, if a third party , viz., lending institutions, fund the supply chain then the cash conversion cycle will be very much successive and performance of all stake holders will shift upward in multiplier effect.

The main objective of the study is to study the relationship of cash conversion cycle with the financial performance of corporate, so as to identify the potential of supply chain finance with relevance to small business enterprises. Both the Hypotheses are rejected, and we conclude that the cash conversion cycle has impact over the financial performance of corporate. Thus there is potential of supply chain finance. Secondly, from the data on delayed payments, down loaded from Facilitation centres, Department of MSME, Government of India, we conclude that the potential is visible in Small Business Enterprises in India.

This study, further conclude, from the experts opinion that, education and training in Supply Chain Finance is required to stake holders. As it could pull out limited data only, and Supply Chain Finance is in nascent stage, as of now, further study can be carried out to enhance our findings.

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