CHAPTER V

SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTIONS

5.1. Introduction

Finance is the life blood for any business. Commercial banks play a major role in Micro and Small Enterprises sector. Recognizing the contribution of the MSE sector to the economy in terms of providing employment opportunities and quantity of output, the Government of India has taken up enormous steps in boosting the flow of credit to this sector since independence of the nation through industrial policy resolution, 1948 till Micro, Small and Medium Industries Policy, 2008. Likewise, Reserve Bank of India, being the Central Bank of the nation has taken up various steps in the form of priority sector lending in which MSE sector forms a component.

In spite of several efforts taken by the Government and the Central Bank of India as mentioned above, the flow of credit to Micro and Small Enterprises sector by commercial banks in general and public sector commercial banks in particular is not satisfactory. With this background the study has been taken up to review the performance of Scheduled Commercial Banks in general and Public Sector Commercial Banks in particular to overcome the hurdles of both lenders and borrowers to ensure adequate supply of credit to Micro and Small Enterprises Sector.

The essence of flow of credit to the well recognised sector, the MSE sector was noted by the Union Government of India since independence through industrial policy resolution, 1948 till Micro, Small and Medium Enterprises policy 2008. Despite several measures taken by the Government of India and Reserve Bank of India (RBI) through various schemes and guidelines, there is unsatisfactory level of flow of credit. With this background a study on “Financing Micro and Small Enterprises by Public Sector Commercial Banks” was undertaken with the following objectives.
A. To review the performance of All Scheduled Commercial Banks in general and Public Sector Commercial Banks in particular with reference to Micro and Small Enterprises sector credit at all India level, Tamil Nadu State level and Coimbatore district level before and after the enactment of MSMED Act, 2006.

B. To analyse the Non-Performing Assets in Micro and Small Enterprises sector credit of All Scheduled Commercial Banks in general and Public Sector Commercial Banks in particular at all India level.

C. To understand the perception of Micro and Small Enterprises about the lending practices of Public Sector Commercial Banks.

D. To examine the constraints of the bankers in financing Micro and Small Enterprises sector.

The major findings of the study are summarised and presented below.

5.2. Summary of Findings

A. Performance of all Scheduled Commercial Banks with reference to Micro and Small Enterprises Sector Credit

• Total Credit to Micro and Small Enterprises Sector

✓ The flow of credit to micro and small enterprises sector in the year 2000-01 was at ₹60,319 crores and the same was stood at ₹8,46,135 crores in the year and 2013-14 with the Compound Annual Growth Rate of 23 per cent. The average percentage of year to year growth rate of MSEs credit was 22.17 per cent. The mean percentage of MSEs credit on Total Priority Sector Credit (TPSC) was at 29.26 per cent. The mean percentage of MSEs credit on Net Bank credit was at 11.55 per cent during the study period.
Number of accounts of total MSEs credit was at 20.70 lakhs in the year 2000-01 and the same was at 124 lakhs in the year 2013-14 with the average number of accounts 50.75 lakhs during the study period. The percentage of number of accounts on Total Priority Sector Credit was at the average of 10.61 per cent.

The amount outstanding of MSEs credit before and after MSMED Act showed statistical difference (Z=-2.928; p=0.003<0.05) at all India level by all SCBs Mann Whitney ‘U’ test.

The growth rate of amount outstanding of MSEs credit did not show any statistical difference (Z=-1.642; p=0.101>0.05), before and after MSMED Act.

• **Share of Term loans on Total Credit granted to MSE sector**

  The flow of term loan on total MSEs credit was at ₹11,922 crores in the year 2000-01 and the same was at ₹1,78,545 crores in the year 2012-13 with the CAGR of 25 per cent. The average annual growth rate was at 27.11 per cent. The mean percentage of term loan on MSEs credit stood at 19.15 per cent. The number of accounts of term loan was at 10.06 lakhs in the year 2000-01 and the same was at 29.64 lakhs in the year 2012-13. The number of term loan accounts as a percentage on number of total credit to MSEs stood at the average of 34.26 per cent.

  The growth rate in amount outstanding of Term Loans credit before and after MSMED Act did not show any statistical difference (Z=-1.543; p=0.123>.05), whereas, amount outstanding of Term Loans credit showed a significant change.

• **Distribution of credits to Manufacturing Enterprises**

  The flow of credit to manufacturing enterprises during the year 2007-08 was at ₹1,31,889 crores and the same was at ₹2,84,300 crores in the year 2012-13 with the CAGR at 17 per cent. The manufacturing sector credit as a percentage on total credit to MSE sector stood at the average of 51.31 per cent during the study period. The year to year
growth rate of outstanding credit amount to manufacturing enterprises was the highest in the year 2010-11 at 33.04 per cent.

- **Credit to Artisans, Khadi, Village and Cottage industries by all Scheduled Commercial Banks.**
  
  ✓ The total flow of credit to Khadi and Village industries sector was at ₹28,180 crores in the year 2000-01 and the same was at ₹8,528 crores in the year 2012-13 with the Compound Annual Growth of –9 per cent. The percentage of Khadi and Village industries credit on total credit to MSEs stood at the average of 16.15 per cent. The number of accounts with reference to Khadi and Village industries credit stood at the average of 8.39 per cent during the study period.

  ✓ MSMED Act did not show any statistical difference (Z=-1.136; p=0.254>.05) with reference to growth rate of amount outstanding to KVIs at all India level by all SCBs, but the amount outstanding was showed by significant difference.

- **Credit to Micro and Small Enterprises Sector Credit by All Scheduled Commercial Banks at Tamil Nadu State Level**
  
  ✓ The total credit given to MSE sector was at ₹7,786 crores in the year 2000-01 and in the year 2013-14 it was ₹86,886 with the CAGR of 20 per cent. The average rate of year to year growth rate of credit to MSE sector was at 19.94 per cent. The number of accounts with reference to MSEs credit was at 2.44 lakhs in the year 2000-01 which increased to 20.31 lakhs in the year 2013-14 with the CAGR of 18 per cent.

  ✓ Mann Whitney ‘U’ test revealed that the amount outstanding of MSEs credit before and after MSMED Act showed statistical difference (Z=-2.928; p=0.003<0.05) at Tamil Nadu state level by all SCBs, at the same time annual growth rates of amount outstanding did not show any statistical difference before and after period.
• Distribution of Credit to Manufacturing Enterprises in MSE sector by all Scheduled Commercial Banks at Tamil Nadu State Level

✓ The outstanding amount of credit to MSEs showed an increasing trend from ₹18,262 crores in 2007-08 to ₹36,848 crores in 2012-13. The mean value of the same was ₹25,584 crores and the CAGR was 15 per cent during the study period. The number of loan accounts of manufacturing enterprises credit was 1.92 lakhs in the year 2007-08. The same was 2.67 lakhs in the year 2012-13.

• Share of Term Loans to MSEs by All SCBs at Tamil Nadu State Level

✓ The outstanding amount of credit to MSE sector was at ₹1,816 crores in the year 2000-01 and the same was at ₹19,112 crores in the year 2012-13, recorded with the CAGR of 22 per cent. The percentage of term loans on total credit stood at the average of 22.52 per cent.

✓ The number of accounts with reference to term loan accounts was at 1.17 lakhs in the year 2000-01 and it increased to 5.03 lakhs with the mean value of 1.54 lakhs.

✓ The amount outstanding of MSEs Term loan credit before and after MSMED Act showed statistical difference ($Z=2.760; p=0.005<.05$) at Tamil Nadu state level by all SCBs, whereas, the growth rates of amount outstanding did not show any statistical difference.

• Credit to Micro and Small Enterprises Sector by All Scheduled Commercial Bank at Coimbatore District Level

✓ The total outstanding amount of credit to MSEs was ₹1,720 crores in the year 2000-01 and the same was stood at ₹8,016 crores in the year 2013-14 with the average and CAGR of ₹4,716.36 crores and 13 per cent respectively.

✓ The annual growth rate of total outstanding credit to MSEs was at the average of 14.50 per cent. The average percentage of total MSEs credit on priority sector credit was at 50.24 per cent and the average percentage of MSEs credit on total advances was at 20.60 per cent during the study period.
The year to year growth rates of amount outstanding of MSEs credit before and after MSMED Act did not show any statistical difference (Z=1.071; P=0.284) at Coimbatore district level by all SCBs. At the same time, the amount outstanding before and after MSMED Act showed significant difference through Mann-Whitney ‘U’ test.

The year to year growth rates of total amount of credit outstanding with reference to MSE sector at all India level, Tamil Nadu state level and Coimbatore district level was at par with the chi-square (χ²) distribution for P=0.05 with df=2 at 0.110 which was insignificant through Kruskal Wallis test.

B. Performance of Public Sector Commercial Banks with Reference to Micro and Small Enterprises Sector Credit

The performance of PSBs at all India level with reference to amount outstanding of MSEs credit was ₹48,400 crores in the year 2000-01 and the same was at ₹5,87,400 crores in the year 2013-14 with the mean and CAGR of ₹2,09,092.71 crores and 21 per cent respectively. The percentage of total MSEs credit on Total Priority Sector Credit and Net Bank credit were at the average of 28.48 per cent and 11.77 per cent respectively during the study period.

The number of accounts with reference to MSE sector credit at all India level of PSBs was at 20 lakhs in the year 2000-01 and it was at 82.90 lakhs in the year 2013-14 with the CAGR of 12 per cent.

Flow of MSEs credit in terms of amount outstanding before and after MSMED Act showed some statistical difference (Z= -2.928; p=0.003<.05) at all India level by all public sector banks. At the same time, the year to year growth rate of amount outstanding did not show any statistical difference.
• Distribution of Direct and Indirect Credit to Micro and Small Enterprises Sector by PSBs at All India Level

✓ The total outstanding amount with reference to direct credit was ₹1,47,864 crores in the year 2007-08 and the same was at ₹4,61,000 crores in the year 2012-13 with the CAGR at 26 per cent.

✓ The percentage of direct credit on total credit to MSE sector was at the average of 97.04 per cent. The flow of indirect credit to MSE sector during the study period was at ₹3,273 crores in the year 2007-08 and ₹16,600 crores in the year 2012-13. The percentage of indirect credit on total credit to MSEs was at the average of 2.93 per cent.

• Credit to Micro and Small Enterprises Sector by PSBs at Tamil Nadu State Level

✓ The outstanding amount of credit in the year 2000-01 was ₹4,002 crores and in the year 2013-14 it was ₹57,208 crores with the CAGR of 23 per cent. The annual growth rates stood at the average of 23.76 per cent during the study period.

✓ The percentage of MSEs credit on Total Priority Sector Credit stood at the average of 31.87 per cent and on total credit of PSBs was at 13.19 per cent.

✓ The year to year growth rates of MSEs credit before and after MSMED Act did not show any statistical difference (Z=0.214; p=0.833>.05) at Tamil Nadu state level by PSBs. But, amount outstanding showed significant difference before and after period.

• Total Credit to Micro and Small Enterprises Sector by PSBs at Coimbatore District Level

✓ The outstanding amount of credit to MSE sector during the study period from 2000-01 to 2013-14 was at ₹1,204 crores and ₹5,982 crores at the beginning and at the end of the study period respectively. The Compound Annual Growth Rate was recorded at 13 per cent.
The percentage of outstanding MSEs credit on Total Priority Sector Credit was at the average of 53.34 per cent and on total advances of PSBs was at the average of 22.32 per cent.

The growth in the flow of MSEs credit by public sector commercial banks in terms of annual growth rate at Coimbatore level before and after MSMED Act did not show any statistical difference (Z=1.071; p=0.284>.05).

The flow of credit to Micro and Small Enterprises sector by PSBs at all India level, Tamil Nadu state level and Coimbatore district level was at par with the Chi-square ($\chi^2$) distribution for p=0.05 with df=2 is 0.92 which was found insignificant through Kruskal Wallis test.

C. Performance of All Scheduled Commercial Banks and Public Sector Banks with reference to MSE sector Credit under Annual Credit Plan at Coimbatore District Level

All Scheduled Commercial Banks in Coimbatore district achieved their target of granting loans and advances to MSE sector during the study period. The mean percentage of achievement of target was 98.66 per cent and in terms of credit amount disbursed, it was ₹2,38,630.15 lakhs with the CAGR of 4 per cent.

The amount of credit disbursed by Public sector banks at Coimbatore district stood at the average of ₹1,88,999.71 lakhs during the study period and recorded the CAGR of 5 per cent.

The target credit amount achieved by all SCBs at Coimbatore level before and after MSMED Act did not show any statistical difference (Z= -1.357; p=0.173>0.05) during the study period, whereas the percentages of targets achieved by Scheduled commercial banks showed some statistical difference (Z=-2.642; p=0.008) before and after MSMED Act.
The target credit amount achieved by all PSBs at Coimbatore level before and after MSMED Act did not show any statistical difference ($Z = -0.642; p=0.522>0.05$) during the study period, likewise, the percentages of targets achieved by PSBs also did not create any statistical difference ($Z=-1.071; p=0.284$) before and after MSMED Act.

The performance score of Canara Bank and Indian Overseas Bank in terms of achievement of target was consistently higher than all other PSBs in extending credit to MSEs during the 14 years ending 2013-14. It is noted that all PSBs sector in Coimbatore district had achieved their target in granting credit during the period 2006-07 to 2013-14.

**D. Non-Performing Assets in MSE sector Credit of All Scheduled Commercial Banks and Public Sector Commercial Banks at all India Level**

The amount of Non-performing Assets with reference to MSEs credit all India level was at ₹7,537 crores in the year 2000-01 and it was ₹6,48,400 crores in the year 2012-13. The mean and CAGR were recorded at ₹11,572 crores and 12 per cent respectively during the study period.

The NPA of MSE sector credit on NPA of Total Priority Sector Credit and on NPA of total credit of All SCBs was recorded the average percentage of 35.04 per cent and 15.56 per cent respectively.

The quantum of Non-Performing Assets with reference to MSE sector credit all India level of PSBs was ₹10,339 crores in the year 2000-01 it was at ₹28,400 crores in the year 2012-13 with the CAGR at 9 per cent during the study period.

The NPA of MSEs credit on NPA of Total Priority Sector Credit and total credit of PSBs recorded the average percentage of 36.06 per cent and 17.55 per cent respectively.
E. Perception of select Micro and Small Enterprises about the lending practices of Public Sector Commercial Banks (PSBs)

- Contextual Profile of Sample Micro and Small Enterprises

✓ Out of 219 micro enterprises, 153 (70%) enterprises are sole proprietorship organizations; 51 (23%) enterprises are doing their businesses in the form of partnership concerns and the balance of 15 (7%) enterprises are functioning as private limited companies. Majority (70%) of the sample micro enterprises are running their businesses as sole proprietorship form of organization.

✓ It is found that out of 219 micro respondents, 114 (52%) enterprises are engaged in manufacturing activities followed by 81 (37%) in job working and 24 (11%) respondents in assembling line.

✓ Out of 219 sample micro enterprises, 189 (86%) of the micro enterprises are using indigenous technology, 24 (11%) responding enterprises are having both indigenous and imported technology and only 6 (3%) enterprises are depended on imported technology.

✓ 159 (73%) enterprises have employed less than 10 labourers followed by 48 (22%) enterprises having more than 10 but not exceeding 20 labourers and 12 (5%) of them have employed more than 20 permanent labourers.

✓ 162 (74%) enterprises are marketing their products at national level followed by 42 (19%) and 15 (7%) of the enterprises covering their marketing area with national and international market and local market respectively.

✓ Out of 81 small enterprises, 57 (70%) enterprises are sole proprietorship concerns followed by partnership concerns and private limited companies with 12 (15%) enterprises each. As far as nature of business activity is concerned, 57 (70%) enterprises are involved in manufacturing activities and 21 (26%) of them are involved in job working nature of business. Only 3 (4%) select enterprises are involved in assembling nature of business activity.
Out of 81 sample small enterprises, 75 (92%) select enterprises are dependent on indigenous technology. Only 3 (4%) enterprises are utilizing imported technology and the remaining 3 (4%) enterprises are using both indigenous and imported technology.

Forty two (52%) units have employed 10 to 20 permanent labourers whereas 27 (33%) of the enterprises have employed less than 10 labourers and the rest of 12 (15%) of them have employed more than 20 permanent labourers.

Out of 81 select small enterprises, 60 (74%) of them have market for their products both at national and international level. 12 (15%) enterprises are distributing their products in local market only and the balance of 9 (11%) enterprises have market for their products at national level.

Out of 300 responding enterprises comprising both micro and small, 210 (70%) enterprises are sole proprietorship concerns, 63 (21%) enterprises are partnership concerns and 27 (9%) enterprises are being run as private limited companies. 171(57%) enterprises are engaged in manufacturing activities, 102(34%) are engaged in job working nature of activities and 27(9%) enterprises are engaged in assembling nature of business activities, 264(88%) enterprises are using indigenous technology. 62 per cent of micro and small enterprises employ less than 10 permanent workers. Only 8 per cent of enterprises have more than 20 permanent labourers, 57 per cent of the sample enterprises enjoy national market for their produce and 34 per cent enterprises have both national and international markets. Only nine per cent of the select enterprises market their products locally.

- **Industry composition of Sample Micro and Small Enterprises**

Out of 219 micro enterprises, 42 (19%) units belong to light engineering, 38 (17%) enterprises are engaged in pump set and wet grinder and accessories manufacturing, 29 (13%) enterprises belong to motor industry and 20 (9%) enterprises are engaged in textile industry.
Out of 81 small enterprises, 19 (23%) units are foundries, 15 (19%) units are heavy engineering, 9 (11%) are textile business. Out of the total 300 responding enterprises, 43 (14%) are engaged in pump set and wet grinder accessories each, 42 (14%) are belonging to light engineering, 40 (13%) are foundry industries, 32 (11%) are motor industries and 29 (10%) are textile industrial units.

Distribution of borrowers and non-borrowers in sample Micro and Small Enterprises

Out of 300 responding total enterprises, 219 (73%) units are micro enterprises and 81 (27%) units are small enterprises. Again the responding enterprises were categorized as borrowers of public sector banks and non borrowers. Again 192 (64%) enterprises are borrowers of public sector banks and 108 (36%) are non-borrowers.

Type of Credit facility availed by borrowers

Among micro enterprises, 57 (42%) respondents had availed cash credit facilities, 51 (38%) units borrowed term loans and 42 (31%) enterprises enjoyed overdraft facilities from public sector banks.

Among small enterprises, 30 (53%) enterprises enjoyed overdraft facilities and 21 (37%) units each availed each cash credit facilities and term loans facilities. Out of total 192 borrowing enterprises, the majority of 78 (41%) respondents availed cash credit facilities and 72 (38%) units each availed term loans and overdraft facilities.

F. Perception of micro and small enterprises towards lending practices of Public Sector Commercial Banks

Among select micro enterprises, the highest weighted average score for the acceptability of statements was recorded for compulsory registration of collateral (3.164) followed by demand for high value collateral (3.000), high rate of interest (2.973) and longer time for sanctioning loans and advances (2.918).
Among small enterprises, highest weighted average score was recorded for demand for high Value collateral (2.926) followed by compulsory registration of collateral (2.741) and indifferent attitude of bank officials (2.667).

According to ‘z’ test, there was a significant difference existed in the scores between Micro and Small Enterprises regarding lending practices of PSBs for compulsory registration of collateral with the ‘z’ value of 4.02, high interest rate (3.48), sanction of insufficient amount of loans and advances (2.06) and lower utilisation of information technology (−2.60).

Independent ‘t’ test result showed that there was no significant difference in the overall opinion of micro and small enterprises regarding the lending practices of public sector banks.

Among borrowers of public sector banks, the highest weighted average score for the acceptability of statements recorded for longer time for sanctioning loans and advances (2.927) followed by demand for high Value collateral (2.797) and compulsory registration of collateral (2.766).

Among non-borrowers the highest score was recorded for lower utilisation of information technology (3.528) followed by poor service of bank (3.472), compulsory registration of collateral (3.324), shorter repayment period of loans (3.194) and indifferent attitude of bank officials (3.083).

‘z’ test results showed that there was a significant difference existed in the opinion of borrowers and non-borrowers in respect of all statements except for lengthy and complicated documentation procedure.

Independent ‘t’ test result showed that there was a significant difference existed in the overall opinion between borrowers and non-borrowers about the lending practices of Public Sector Commercial Banks with the ‘t’ value of 12.99.
• **Opinion of Micro and Small Enterprises about lending practices of PSBs on the basis of constitution**
  ✓ ANOVA results showed that there was a significant difference in the opinion with regard to high interest rate charged by PSBs, uncaring attitude of bank officials, insufficient amount of loan sanctioning, demand for high value collateral and compulsory registration of collateral.

• **Opinion of Micro and Small Enterprises about lending practices of PSBs on the basis of nature of business activity**
  ✓ ANOVA results expressed that there was a significant difference in the opinion with reference to longer time taken by banks for sanctioning loans and advances and shorter repayment period of loans.

• **Problems faced by borrowers in availing credit facilities from Public sector banks**
  ✓ Out of 135 respondents who availed credit from public sector banks, 31 (23%) of them faced the problem of lengthy documentation procedure, 20 (15%) of them met with the problem of non availability of timely fund and 84 (62%) did not meet with any problem. Regarding the small enterprises, out of 57 respondents 45 (79%) respondents did not have any problem, 8 of them (14%) faced with the problem of non availability of timely fund and 4 of them (7%) affected with lengthy documentation procedure.

• **Preference of responding MSEs to avail future credit facilities from Public Sector Commercial Banks**
  ✓ Seventy four per cent of the total micro enterprising units prefer to borrow loans from public sector commercial banks in future whereas 26 per cent of them expressed that they do not require any additional loan in the future. Likewise 80 per cent of the small enterprises prefer to borrow loans and advances from public sector banks.
G. Constraints of the Bankers in Financing Micro and Small Enterprises Sector

- **Contextual profile of sample bankers**
  
  ✓ It is revealed that 52 (87%) branches are located in urban area and the rest of 8 (13%) branches are located in semi-urban area. 40 (67%) branches are regular branches and the rest 20 (33%) branches are MSME branches. Regarding the designation of respondents, 22 (37%) respondents are Chief Managers, 16 (26%) of them are Branch Managers and 10 (17%) of them are senior managers. The remaining respondents are Assistant Managers (7%), Senior Marketing Managers (7%), Assistant General Manager (3%) and relationship manager (3%).

- **Credit facilities offered by sample bankers**
  
  ✓ Through the study it was found that 96.7 per cent of the Public sector banks each had offered term loans and cash credit facility. 63.3 per cent had offered overdraft facility, 60 per cent of the respondents offered Letter of credit facility, 56.7 per cent had offered Composite loan and 46.7 per cent had offered the method of discounting bill of exchange.

- **Constraints of Public sector banks in lending MSEs**
  
  ✓ Factor analysis revealed that four variables namely non disclosure of full/incorrect information, lack of infrastructural facilities like water, electricity and transport, lack of knowledge on business management and no technical feasibility of the project were grouped together as factor I and accounts for 21.77 per cent of the total variance. Variables such as lack of training for the applicants, no economical feasibility of the project and poor financial background constituted the factor II and accounts for 18.82 per cent of the total variance.
• **Recovery of loans and advances**
  
  ✓ Out of 60 respondents, 48 (80%) of them had a satisfactory level of recovery of funds and 12 respondents (20%) had an excellent rate of recovery of the credits granted to micro and small enterprises.

• **Reasons for non or low recovery of loans and advances**
  
  ✓ The highest weighted average score was recorded for misuse of funds by the borrowers (4.233) followed by wilful default by the borrowers (3.700), expecting subsidy or concessions from governments and lack of advertisement and poor marketing arrangements for selling the products of micro and small enterprises (3.633) each.

5.3. Conclusion

Every sector in general and Micro and Small Enterprises sector in particular essentially need adequate finance to flourish in their activities which in turn contribute to the economy in terms of Gross Domestic Product and providing employment opportunities. The study was undertaken on financing of micro and small enterprises by public sector banks revealed important findings that statistically there was no significant difference exists in the performance of both All SCBs in general and PSBs in particular with reference to flow of credit to micro and small enterprises sector before and after the enactment of MSMED Act, 2006. Further, the study revealed that the performance of the commercial banks at all India level, Tamil Nadu state level and Coimbatore district level in lending MSEs was same during the study period. The percentage of non-performing assets with reference to MSE sector credit showed a decreasing trend during the study period. The opinion about the lending practices of public sector banks was same among micro and small enterprises. Lengthy documentation procedure and non availability of timely funds are the major problems suffered by micro and small enterprises. The major constraints
of the bankers while lending MSEs are non economic and non technical viability of their projects, lack of infrastructural facilities and lack of integrity and self-confidence in the MSE loan applicants. The study also revealed that non effective usage of borrowed funds is the major reason for the non or low rate of recovery of credits. Finally it is concluded that the doors are always opened with the bankers for flowing funds to enterprises. But only those enterprises (applicants) who are able to show their profitable and satisfied proposal can make use of the flowing funds.

5.4. Suggestions

Based on the suggestions given by the respondents of both micro and small enterprises and the public sector banks under study the following suggestions are provided by the researcher.

To Banks:

- A massive awareness campaign among entrepreneurs is essentially called for to make them aware of the basic facts and the expectations of the bankers that loans are advanced after appraisal of the project proposals, ascertaining their viability, assessing the credit worthiness of the clients and the fulfilment of the terms and conditions of the financing banks including margin money, payment of service charges etc.

- Banks may consider appointing adequately qualified and trained personnel to all rural and semi-urban branches and even for semi-urban branches to accomplish the targeted mission.

- Banks may simplify the procedures and sanction loans quickly in case of any urgency and needful situation of the MSE applicants. At the same time banks have to ensure the credit worthiness of the borrowers.
• By widening relationships with MSE customers, rather than focusing on lending alone, banks will gradually build up their level of comfort with risks associated with micro and small enterprises.

• All scheduled commercial banks should strictly adhere to the rules and guidelines of the Reserve Bank of India and Government of India regarding credit delivery to micro and small enterprises sector. So that, credit disbursement can be maximized.

• Banks need not aim at simply achieving the targets for credit disbursement but economic and commercial viability of the project proposals should be ensured so that loans sanctioned shall not become non-performing assets.

• Banks can conduct meetings, fairs, workshops and seminars at least once in six months in the places where industries are clustered so that it will be more useful to the new as well as existing enterprises to popularise their loan products among MSEs.

• When bankers come to know that the fund lent was misused or diversified, strict actions need to be taken through fine or imprisonment.

• If possible banks can go for charging less rate of interest from micro enterprises to boost credit flow.

• A flexible approach to collateral will improve access to bank funding.

To Government:

• The district collector or district industries centre need not simply recommend or encourage any non viable project under any government sponsored schemes for the sake of achieving targets.
• Launching of MUDRA Bank is the most welcoming effort taken by Government of India to fulfill the financial needs of micro units. It should function effectively furthermore for the said purpose to safeguard the functioning of micro units.

To MSMEs:

• MSMEs can enter into the capital market more seriously. So that sufficient fund can be arranged.

5.5. Scope for Further Research

Following are the suggestions for further research.

(a) Studies can be taken up with wider coverage of area in Tamil Nadu including industrial cities like Namakkal, Salem etc.

(b) Perception of service enterprises towards the lending practices of public sector banks can also be included for the study.

(c) Perception of MSEs towards private banks and constraints of private and foreign banks in funding MSEs can also be taken up for study.

(d) Studies can be taken up to examine the efficiency of government programmes such as CGTMSE, Unemployed Youth Employment Generation Programme to enhance MSE financing.