SUMMARIES OF FINDINGS

INTRODUCTION

This chapter exclusively deals with the findings of the research study. The findings are summarized into

- Findings with reference to Micro, Small and Medium Enterprises
- Findings with reference to Commercial Banks
- Findings with reference to Hypotheses testing

5.1 Findings with reference to Micro, Small and Medium Enterprises

- The highest education level of the Micro, Small and Medium Enterprise respondents were PUC (constituting 47%). 44 percent were having graduation as their highest educational qualification. Only about 6 percent and 3 percent were having masters and above and professional qualification.

- The vast majority of the respondent enterprises constituting 98 percent are having male owner/CEO and only 2 percent of the respondent enterprises are having female owner/CEO.

- 58 percent of the respondents have their regular banking transactions with the major banks of Karnataka. About 50 percent of these respondents have approached and availed loan from banks.

- Single largest category constituting 35 percent of the sample respondents expected to grow in terms of employment between 10-25 percent. The respondents stating negative growth constituted only 1 percent of the sample.

- 54 percent of the total sample respondents have plans to grow moderately and substantially over next two years. Only 2 percent has planned to sell their business and 4 percent of the respondents want to reduce their operations from current level.

- Internal finance is still most preferred source of finance amongst this sector. 44 percent of the respondents prefer internal source of finance, where as 37 percent of the sample respondents prefer external finance and 31 percent prefer both internal and external source of finance.
Among the various problems faced by this sector, 26 percent of the sample stated that cost of production/ cost of labor are the major problem encountered by them, followed by availability of skilled managers (25%), enterprises work on very low margin (24) and 22 percent states that they have problem of access to timely and adequate finance.

Majority of the sample respondents are aware of various sources of finance available them. 98 percent of the respondents are aware of Commercial Banks, 80 percent are aware of SIDBI followed by State Finance Corporation constituting 76 percent. Only less than 50 percent of the respondents are aware of Micro Financial Institutions.

Majority of the respondents constituting 98 percent are aware of loan products and services offered by Commercial Banks.

Amongst the internal source of finance, 84 percent of the sample respondents prefer family/friends as their preferred source of finance. 63 percent do prefer commercial bank loan for external financing.

Majority of the respondents constituting 96 percent get information through personal business contact. 65 percent gets through membership from unions, 63 percent states that they get information through mass media communication. Only 35 percent of the respondents states that they get information through Government sources.

External finance is preferred for the growth needs of the enterprise. Majority of the respondents constituting 87 percent have stated that they prefer business finance for the growth needs of their enterprise. 77 percent prefer for establishment, 69 percent for working capital and 32 percent for product development.

Amongst the Commercial Banks, 80 percent of sample respondents prefer to approach Public sector Banks, 46 percent prefer Private Sector Bank and only 2 percent favors Foreign Banks.

Out of 325 sample respondents, only 45 percent have approached Commercial Banks for business finance and majority constituting 55 percent of the samples
have never approached Commercial Banks for their business financial requirement.

- The vast majority of the respondents constituting 90% have stated that their loan request was approved and 89% of total respondents have requested for term loan. Those requesting overdrafts and working capital constituted 32% and 31% respectively. Less than 5% of respondents had requested for cash credit, factoring and exporting lending services.

- Only 29% of respondents have received 100% of the loan amount requested. Only 2% of respondents have stated that they have received less than 50% of loan amount requested.

- Majority of respondents who had received the loan amount have utilized for the purpose for which loan was taken and 90% of respondents stated that they are paying their debts out of business income generated.

- Majority of respondents constituting 80% of sample had visited the bank less than 3 times to avail the loan.

- 60% of respondents did not agree with the reasons provided for the refusal of the loan.

- Majority of respondents constituting 63% of sample are willing to approach Commercial Banks in future for their business financial needs. 80% of sample respondents prefer subsidized low cost loan with some delay rather than adequate credit at higher rate of interest.

- Of the respondents who did not get their loan approved in time, stated that they had to deter plans and faced serious financial difficulties.

- 86% of sample respondents stated that they have not received finance under CGTMSE as majority were not aware of the programme and others felt that it was too complicated to obtain finance under CGTMSE.

- 93% of respondents stated that collateral was asked in the form of business finance and personal assets.
The very important documents requested for approval of loans were business certificate, business financial statement, and business plan along with the formal application for financing.

Poor credit history, guarantee and incomplete application form were contributors for non-approval of the loan request.

99 percent of the respondents prefer to have awareness campaign, 69 percent expects transparency in the loan approval process, 67 percent to value their time and 57 percent to wants regulators to subsidize the loan for easy access to bank loan.

Amongst the various problems faced in accessing bank loan, the biggest one was collateral requirement having Mean score of 3.77.

Availability of finance increases level of production would assist in introducing new products and new business strategies were having Mean score of 3.65, 3.49 and 3.48 respectively.

Respondents availed loan from Commercial Banks are highly satisfied with the bank staff having mean score of 3.65 and lending facilities with Mean score of 3.69. The overall mean score of respondents regarding satisfaction of respondents related to lending activities of the Commercial Banks was 3.48.

62% of the respondents did not apply for bank finance due to lengthy and inflexible paperwork and feels that internal financing is better than external financing.

5.2 Findings with reference to Commercial Banks

84% of bank respondents have been trained to deal with SME sector and 52% of them feel that there is interference in the selection of beneficiaries.

84% bank respondents have stated that their banks have adopted BCSBI guidelines and are covered under CGTMSE scheme.

Only 50% of the sample respondent’s bank has dedicated loan recovery unit. Only 76% of the samples accept all bankable projects.
Only 8% of the respondents feel SME financing should be excluded from the priority sector.

92% of the sample bank respondents use interview of the loan applicant, inspection of the applicant place of business and credit bureau as major source of information on SME clients.

Majority of the bank respondents prefer to identify potential SME clients through the existing deposit holders, client’s data base and client in need of credit.

Bank respondents use wall posters/brochure/sign board as major mode of communication of SME schemes followed by circulars.

Bank respondents feel that comprehensive package of training and identifying SME lending as one of their key performance would boost people dealing with SME credit.

Majority of bank respondents constituting 85 % feel that information sharing by SME is moderate.

44% of bank respondents are of the opinion that NPA is more due to lending to micro and small enterprises.

Not much weightage is given to caste and backward region while processing loan application.

Assessment of credit worthiness, industry experience of clients, technicalities in approval and shortage of staff are the major obstacles in lending to this sector. 52% of the bank respondents feel that lack of infrastructure facility and political pressure (20%) are the major contributors for the obstacles in lending to this sector.

72% of the bank respondents agree that RBI guidelines affect their involvement with SME in a positive manner.

Processing of loan request is not very lengthy and complicated, which is significant at 5% significance level
• Paper and documentation process for SME advances are flexible (sig value = 0.00)

• There exist social and political pressure in recovery of loans from this sector (Mean = 3.52 and Sig = 0.01)

• SMEs approaches banks with unrealistic business plans (Mean = 3.52 and Sig = 0.00)

• Problem of information sharing does not exist between banks and SMEs. The banks perceive problem of information sharing (Mean = 3.38 and Sig = 0.10 not statistically significant)

• SME’s need to fulfill the pre-requisites for obtaining finance from bank without which loan proposals will be rejected (Mean = 4.32 and Sig = 0.00)

• One of the major driving force for lending this sector is the social objective (Mean = 3.92 and Sig = 0.00)

• Banks perceive lending to this sector is highly risky, which is statistically not significant (Mean = 3.2 and Sig = 0.42)

• One of the important reasons for huge financial exclusion is lack of strong financials of SME borrowers (Mean = 3.70 and Sig = 0.00)

• Bank perceives that there is high transaction cost in serving SME sector, which is statistically not significant (Mean = 2.96 and Sig = 0.86)

• Lack of acceptable collateral is one of the reason for loan rejection (Mean = 3.82 and Sig = 0.00)

5.3 Findings with reference to Hypotheses testing

• The Government of India and Reserve Bank of India has been making a tireless effort through policy framework and formulation of committees to ease flow of credit to a very important sector and growth engine of Indian economy.
• Instant support, Customer centric, Reliability, Relationship and facilities are the factors can contribute to the satisfaction of the enterprises and reduce the finance gap.

• Instant support and facilities from banks will enhance the satisfaction there by reduces the finance gap and builds confidence of SMEs on banks.

• Among Micro, Small and Medium Enterprises, Micro manufacturing sector perceived low level of satisfaction and high level of problems in accessing finance from banks.

• Access to bank finance has a significant impact on the growth and development of SMEs, especially in employment generation. Thus finance gap influences the performance of SMEs negatively.

• The perception on bank services varies for SME’s who have availed loan and SME’s not approached bank for their financial requirement. SMEs availed loan has a positive attitude towards bank financial services.

• The driving force for bank lending to SMEs sector is the social objective and banks perceive the sector is commercially viable.

• The major challenge for banks is that most of the SME owners are first generation entrepreneurs, do not have strong financials and does not maintain proper accounting records.

CONCLUSION

Based on the analysis of data, various inferences can be drawn based on the profile of the respondents, experiences and expectations of the respondents on each other. The above summary of findings provides an insight in to the present scenario of bank financing to SMEs and the perception of the stakeholders on each other. The above summaries of finding would give a base for offering suggestions to the existing problem of finance gap.