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A STUDY ON PERCEPTION OF SME ENTREPRENEURS TOWARDS SMES LOAN RENDERED BY NATIONALISED BANKS WITH SPECIAL REFERENCE TO COIMBATORE DISTRICT

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Abstract:

The small and medium scale industries (SME) are the back bone of a developing country. They need lower investment to provide higher employment opportunities near located people. SME (Small and Medium Enterprises) are relatively suitable for smaller markets because smaller markets need quantity of products. Small scale industries stimulate growth of Industrial entrepreneurship and promote a diffused pattern of ownership and location.

Key Words: SME, Loan & Bank

Introduction:

SME (Small and Medium Enterprise) generate additional income and additional savings which help in capital information in the economy. SME make possible transfer of of manufacturing activity from congested cities to rural and semi-urban areas in regional development. Small and medium enterprises have been receiving considerable favour from the policy makers in almost all the economies in view of their significant contribution in the process of industrialization, generation of employment, contribution to the export and bringing the regional balance. A close scrutiny of the cross country support programmers reveal that the development efforts targeted at the sector are based on two basic premises. There are

- ✓ Small and medium enterprises are the engine of growth and
- ✓ Market imperfections affect their growth.

Thus the government support is essential and justifiable for the growth of the sector. As regards SMEs (Small and Medium Enterprises) contribution to the national economy the cross country data reveal that SMEs are the emerging private sector in poor countries and thus from base for private sector growth. The share of SMEs in manufacturing has been around 85% in Greece, around 80% in Italy. Around 60% in Brazil and approximately 50% in Mexico. SMEs contribute around 60% of the total employment in manufacturing sector countries. The passing of Micro small and Medium Enterprises Development Act in 2006 by the Government of India was a great Watershed in the development of micro and small enterprises in the country. The Act empowered and provided space for the vertical growth of the sector. The draft 11th five year plan recognizes the importance of this sector in the national economy. The micro and small enterprises have a share of over 40% of the gross industrial value added in the economy. About 44% of the total manufactured exports of the country are directly accounted for the small scale industries. For the credit dispensation the micro and small enterprises enjoy the priority status for the institutional finance though there is no separate target fixed for the Indian banks. The incremental flow of term loan to the micro and small sector is estimated at Rs148720 crore which translates into a growth rate of an average 24.1%per annum for the plan period. The promotion of micro and small medium enterprises has been thrust areas of Governments developmental policies and programmes. The research work undertaken mainly to analysis the perception of SME towards credit rendered by the nationalized banks in Coimbatore District.

Objectives of the Study:

- ✓ To study the major constrains perceived by SME entrepreneurs in accessing the credit from nationalized banks.
- ✓ To study the reasons for preferring nationalized banks by SME entrepreneurs
- ✓ To find out the level of satisfaction of SME entrepreneurs with nationalized banks.

Scope of the Study: The study has been undertaken mainly to analyze the perception of SME entrepreneurs in accessing the loan rendered by the nationalized banks in Coimbatore District. The SME Entrepreneurs engaging in the activities like food products ,garments, wooden products, country bricks, fibre, plastics and rubber, simple chemical, general engineering and manufacturing of cotton yarn and production of paper boards in the Coimbatore District have been included in this study. It has been undertaken from the point of SME entrepreneurs and bankers are excluded from this study.

Research Methodology: This research is based on primary and secondary data. The methodology on which the study was performed. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In methodology discuss the objectives, data collection, analysis tools used to analysis the data.

Research Design: A research design is purely and simply the frame work of plan for a study that guides the collection of analysis of data. The study is indented to find perception of SME Entrepreneurs in assessing the Loan rendered by Nationalized Banks.

Sampling Design: Selection of study area: The study area of Coimbatore District includes three taluks namely Madukkarai, Pollachi and Kinathukadavu. The registered numbers of units are running more in Coimbatore District. Selection of sample size: 110 borrowers.

Sampling Method: Convenience method of sampling is used to collect the data from respondents. Researchers or fieldworks have the freedom to whomever they field, the thus the name “convenience”. About 110 sample were collected from Coimbatore District.

Formulation of Analysis:

Primary Data: Primary data was collected through questionnaire.

Secondary Data: Earlier records from journals, magazine and others sources.

Tools Used for Analysis:

Weighted Average: Weighted Average Analysis has been administered to estimate and compare the mean satisfaction scores on preference of banks and awareness on loans using three rating score by assigning 1- ‘Strongly Disagree’, 2 - ‘Agree’,3–Neutral‘ 4- Disagree’, 5-Highly disagree and the results are presented

Table 1: Table Showing Reason for Selecting Preferred Bank

Reason	Highly Agree	Agree	Netural	Dis Agree	Highly Dis Agree	Total	Rank
Nearness to Residence	30	38	42	0	0	3.89	III
Advice from Friends	13	20	28	27	22	2.27	V
Better Service	17	35	41	17	0	3.47	VI
Recommended by Government officials	0	21	32	33	24	2.45	VII
Low rate of interest	25	59	26	0	0	3.99	I
Easy repayment facility	23	58	29	0	0	3.94	II
No other source of finance	0	21	39	31	19	2.56	VI

The above table shows that the reason for selecting preferred bank. ‘Low rate of interest’ has secured first rank followed by ‘easy repayment facility’ secured second, ‘nearness to residence’ is secured third, ‘better service’ is secured fourth, ‘advice from friends’ is secured fifth, no other sources of finance is ranked sixth and recommended by government officials is seventh. Hence it is clear that the major reason for selecting preferred bank is low rate of interest and easy repayment facility.

Table 2: Table Showing Level of Satisfaction of Services Providing Banks to SME Entrepreneurs

Satisfaction	Highly Satisfied	Satisfied	Neutral	Dis Satisfied	Highly Dis Satisfied	Total	Rank
Services of the staff	16	26	45	23	0	3.32	IV
Rate of interest	22	56	32	0	0	3.91	II
Repayment period	22	62	26	0	0	3.96	I
Time taken for sanctioning the loan	13	21	45	18	13	3.03	VII
Procedural formalities	13	17	36	29	15	2.85	X
Opinion on installment	22	30	58	0	0	3.67	III
Existing system of granting the loan	14	25	40	18	13	3.09	VII
Issue of notice	0	17	30	43	20	2.4	XI
Collateral requirements	13	18	46	20	13	2.98	IX
Processing fee	0	18	30	40	22	2.4	XI

The above table gives level of satisfaction rendered by the banks to SME entrepreneurs. The requirement period has secured first , rate of interest has secured second, installment has secured third, Services of the staff has secured fourth, Opinion on loan disbursement has secured fifth, Transparency of banks has secured sixth, Existing system of granting the loan has secured seventh, Time taken for sanctioning the loan has secured eighth, Processing fee has secured ninth and Procedural formalities has secured tenth. Hence it is clear that most of the SME entrepreneurs satisfied that the rate of interest and repayment period.

Table 3: Table Showing Problems Faced By SME Entrepreneurs in Obtaining Loan

Problems	1	2	3	4	5	6	7	8	9	10	Total	Rank
Rate of interest	10	13	9	14	15	11	16	12	10	0	5.93	III

High processing fee	15	8	9	8	7	12	13	16	12	10	5.33	VI
Too much of paper works	16	12	8	9	10	0	10	8	13	24	5.17	VII
Lack of transparency of banks	8	9	8	8	10	10	14	16	16	11	4.89	X
Requirement of Audited financial statements	8	9	14	11	15	19	9	9	8	8	5.65	IV
Inadequate disbursement of loan	0	10	9	16	15	14	14	14	9	9	5.08	VIII
Cumbersome monitoring and recovery procedure	7	7	13	11	10	10	11	12	13	16	4.69	IX
Asking for SME association information report	25	18	16	15	17	0	0	0	14	12	6.77	I
Collateral requirements	0	12	10	11	19	19	13	11	13	12	5.43	V
Personal guarantee	14	18	21	11	13	9	7	9	0	8	6.66	II

The above table shows that the problems faced by the SME entrepreneurs on getting the loans. Asking for SME association information has secured first, Personal guarantee has secured second, Rate of interest has secured third, Requirement of Audited financial statements has secured fourth, Collateral requirements has secured fifth, High processing has ranked sixth, Too much of paper works has ranked seventh, Inadequate disbursement of loan has ranked eight, Cumbersome monitoring and recovery procedure has secured ninth and Lack of transparency of banks was ranked tenth. Hence it is clear that most of SME Entrepreneurs feel that 'Asking SME Association report', 'Requirement of audited financial statement' required by the bankers are the major constraints in obtaining SME loans from the banks.

Suggestions:

- ✓ The banks should provide consultancy services and professional guidance at the time of setting up for considering the short term and long term financial requirements of small units for lending purposes.
- ✓ The banks should inform the reasons for rejecting obligation required by the SME borrowers. This will help the applicant on rectifying their mistakes.
- ✓ The collateral security required by the banks is different from bank to bank. RBI should be specified proper guidance regarding Collateral requirements.
- ✓ The banks should take necessary steps to resolve the time gap in disbursing the loan after the processing the loan application.

Conclusion:

Micro, Small and Medium Enterprises (MSMEs) have been unable to achieve the competitiveness that would allow them to drive the manufacturing sector and overall economic growth, employment and poverty reduction. This is because of their lack of awareness of the market and resources, as well as the problems that MSMEs face in assessing adequate financing and business development services. Bankers are reluctant to lend to MSME Units because of the high transactions costs and perceived risks of lending in the face of insufficient credit information, inadequate credit appraisal and risk management skills, poor repayment records and low market credibility of MSMEs. In terms of preference, all banks are surging ahead to project themselves as the most preferred bank by entrepreneurs those who are becoming more demanding in their needs and are increasingly on higher standard of service. To them, service means satisfaction, delight, excellent service delivery and c relationship etc. The survival and growth of a bank not only depends on its ability to provide qualitative service to its customers but in building a long term mutually beneficial and trust worthy relationship. Through providing traditional and innovative value added quality services

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