

# **SUMMARY**

# Summary of the Present Study

### Introduction

Indian banking has gone to a far extent towards economic and socio-economic development of a country and in this endeavour, PSBs had also extended its facilities towards industrial development both in large sectors and also Micro, Small and Medium sectors. The purpose of the study is to examine how the loan fund generated by public sector banks to the Micro, Small, and Medium Enterprises (MSMEs) support the growth and development of entrepreneurial activities.

### Objectives of the Study

The following objectives have been framed for the present study:

1. To examine the Utility of loan fund of public sector banks in enhancing Financial Performance of MSMEs.
2. To examine the Utility of loan fund of public sector banks in facilitating Capital Formation in the MSMEs.
3. To establish the relation between satisfactions on Quantum of Loan obtained from PSBs and Financial Performance of the MSMEs.
4. To develop a relation among Utility of PSBs' Loan, Utilization of Loan fund, Financial Performance, and Capital Formation of MSMEs

### Hypotheses of the Study

The hypotheses of the study may be generated are:

- i)  $H_{01}$ : Utility of PSBs' loan fund doesn't influence the Financial Performance in MSME Sector.

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H<sub>11</sub>: Utility of PSBs' loan fund influences the Financial Performance in MSME Sector.

ii) H<sub>02</sub>: Utility of PSBs' loan fund doesn't facilitate the Capital Formation in MSME Sector.

H<sub>12</sub>: Utility of PSBs' loan fund facilitates the Capital Formation in MSME Sector.

iii) H<sub>03</sub>: The quantum of loan doesn't enhance the Financial Performance in MSME Sector.

H<sub>13</sub>: The quantum of loan enhances the Financial Performance in MSME Sector.

We have proposed a model establishing the relationship among the factors of Utility of PSBs Loan, Utilization of Loan, Financial Performance, and Capital Formation using Structural Equation Model.

### Research Design

In this present research work, the objectives are identified and research work to be undertaken is defined clearly. Hence, it requires designing the research. In research design, a complete guideline for data collection is obtained. The main contents of the research design are

1. Selection of research approach
2. Design of population sampling
3. Design of sample size
4. Design of sampling plan

### Selection of research approach

The present study is an exploratory research work in nature.

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### **Population Sampling**

The target population of the present study, the MSMEs of the districts of East and West Medinipur of West Bengal state who have got the loan from Public Sector Banks and doing their business. The estimated population was 5973 units who were registered at respective District Industries Centre (DIC) in the year 2010-11 to 2014-15.

### **Sample Size**

The sample size in this study was 360.

### **Design of sampling plan**

For the present research work, a probabilistic sampling plan is used. To draw the estimated sample size, a stratified random sampling technique is used. The study is based on two districts and each district is divided into four sub-divisions. A list of Blocks in each sub-division has been prepared. Blocks are randomly selected from each list by using the random number method. Thus the total of 18 blocks is selected for the study. Again a list of enterprises in each selected block is prepared. And again using random number method, 20 enterprises are selected from each block. Thus the total 360 sample units are selected from the two districts.

### **Operational Variables of the study**

In the present study, the instrument is constructed with four segments – Utility of Bank Loan, Utilization of Loan, Financial Performance, and Capital Formation. Where the Utility of PSBs' loan is captured through the five dimensions - Availability, Accessibility, Expected Reliance, Facilities, and Terms & Conditions. A detailed structure is described as follows:

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Sl No.	Name of Variable	Type
1.	Availability	Independent Variable
2.	Accessibility	Independent Variable
3.	Expected Reliance	Independent Variable
4.	Facilities	Independent Variable
5.	Terms & Conditions	Independent Variable
6.	Utilization of Loan	Independent /Dependent Variable
7.	Financial Performance	Independent /Dependent Variable
8.	Capital formation	Dependent Variable

### Study Area

Two districts, East and West Medinipur of West Bengal are selected for the study. These two districts were selected purposively as these two districts are playing an active role in the development of the MSME sector of the State. In the year 2014-15, West Bengal holds 8<sup>th</sup> position in India to filled EM-II. In West Bengal, districts East and West Medinipur held the position 8<sup>th</sup> and 4<sup>th</sup> respectively among the thirty two districts of West Bengal.

Administratively East Medinipur is divided into four sub-divisions, twenty six developed blocks, and 8 municipalities, and West Medinipur is divided into four sub-divisions, twenty nine blocks, and 8 Municipalities.

### Data Collection

The present study used both the data primary as well as secondary data. The researcher visited the District Industries Centre (DIC) of both the districts and collected the registered units in the last five years. The questionnaire is distributed to 360 respondents (following Cochran's formula) but 271 complete responses are obtained having a response rate 75.2%. The secondary data depict present scenario of growth and development of

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MSMEs in India, West Bengal, as well as the study areas. The primary data are analysed to achieve the objectives of this present study.

### **Validity and Reliability**

#### **Construct Validity**

In the present research work, construct validity was examined by evaluating the convergent validity and divergent validity with the help of Model validity.

#### **Reliability**

In this study, the researcher has calculated the alpha value for each separated dimension as well as overall reliability statistics. Cronbach's alpha for the research scale is  $0.945=94.5\%$ . This gets over the percent of 90%, which is an excellent indicator of the internal consistency of the overall instrument.

### **Analysis of Data**

The study is carried out by performing further data analysis to fulfill the objectives of this study. Three hypotheses on the basis of objectives 1, 2, and 3 developed in chapter V have been tested by deploying multiple correlations and linear regression methods. The fourth hypothesis derived out of the fourth objective developed in the same chapter has been tested by structural equation model. Finally, path analysis is used to examine that the Utilization of Loan acts as a mediating variable between Utility of Bank loan and Financial Performance and Utility of Loan and Capital Formation.

### **Findings**

The following observations have been found in the present study:

1. There is a strong statistically significant association between:
  - The types of enterprises and the nature of ownership.

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- The types of enterprises and the number of employees.
  - The types of enterprise and the investment in plant and machinery or equipment.
  - The types of enterprise and financial turnover.
2. Public Sector Banks are playing a major role in credit creation for MSME Sector in India on an average 74.15 % of total credit during the period 2007-08 to 2014-15.
  3. West Bengal witnesses substantially low annual average growth rate in registered MSMEs (1.67%) in comparison to India growth rate (13.78%) during 2007-08 to 2014-15. However, the same growth rate for East Medinipur (4.94%) is far below than the west Medinipur (10.90%).
  4. West Bengal Experiences negative annual average growth rate in employment generation in MSME Sector (-2.46%) during 2007-08 to 2014-15 which is contrary to the Indian growth rate of 4.83%. Both the districts, East and West Medinipur also experience shrink in employment growth rate (-0.35% and -3.89% respectively).
  5. There are strong positive significant correlations between Utility of PSBs' loan services with Financial Performance. Facilities and Expected Reliance are the two most significant factors of Utility of loan fund followed by Terms & Conditions, Accessibility, and Availability.
  6. There are positive significant correlations between Utility of PSBs' loan services with Capital Formation. Expected Reliance is the highest significant influencing factor followed by Terms & Conditions, Facilities, Accessibility, and Availability.
  7. There is a strong positive statistically significant relation between the invested Quantum of Loan amount and Financial Performance.

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8. The Utility of Loan fund significantly influences fund Utilization which positively influences Financial Performance of the MSME organization. Financial performance ultimately turns into the Capital Formation.
9. The Utilization of loan fund generating an additional effect to the relation between Utility of Bank Loan fund and Financial Performance.
10. The Utilization of Loan fund generating an additional effect to the relation between Utility of loan fund and Financial Performance.
11. Three factors, namely, Availability, Facilities, and Terms and Condition have no statistically significant direct relations to Capital Formation but these have indirect relation with it.

### **Recommendations**

Although, the loan services providing by the Public Sector Banks to the MSMEs for the better performance in their enterprises is satisfactory in East and West Medinipur, the two districts of West Bengal, yet there are possibilities for more improvement. The following suggestions for the entrepreneurs, bankers and the Government of State as well as Central may be considered for better improvement.

### **Important recommendations are:**

1. The entrepreneurs should be more skilled regarding the strategy of utilization of capital of both banking loan fund as well as their own fund.
2. Regular study over the scopes and prospects along with limitations and threats over business prospects and prospects of financial need and growth of MSMEs are also required to be taken for study by the entrepreneurs.



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3. As MSMEs play a significant role to develop socially and economically in a country. The bank authority should open more specialized bank branches for MSMEs.
4. A special motive can be taken by the banker authorities to monitor the utilization process after disbursement of loan to the MSMEs.
5. A special motive i.e., training on utilization can be taken by the Government with the help of different incubation centre.
6. The Government should see that the fund utility factor is the highest and most feasible. They should look for more and more scheme and means towards this end.
7. The Government should regularly look for and explore the means which can create the environment of industrialization much developed and improved with use of PSB fund.

## Conclusion

Utilization of loan is playing a mediating role in financial performance as well as in capital formation. Entrepreneurs have sufficient reason to emphasis on Utilization of fund for the growth and performance of their enterprise. Access of loan fund is playing significant role in fund utilization, financial performance, and formulation of capital formation in the MSME Sector. This is utmost important for the government and Public Sector Banks to ensure strong access to loan fund to enhance the growth of MSME Sector.

There exist a strong inter-chain relationship among Utilization of loan, Financial Performance, and Capital Formation. If the MSME Sector is strongly supportive by financial assistance in terms of availability and accessibility of loan funds, MSMEs envisages a promising sector in the region under the study.

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In this respect, the government has got a very significant role to play. As discussed earlier in this research work different responsible government institutes must come forward with target oriented responsibilities towards monitoring the target-oriented growth in such sector. They must take up the regulatory role and patronizing role in respect of growth and development of the MSMEs. The government must be strongly vigil and should work for a hand in gloves with the fund assisting financial institutes to see the effectiveness of fund allocation, utilization of allocated fund and reliability of such fund and capital formation scenario thereof of the industries in particular and the society in general. These elements have been very adequately taken care through monitoring of the predictors of the research work as noted earlier in this work.