

Abstract

An elaborate analytical study has been undertaken over the prospects of utilization of funds obtained from public sector banks as the loan for investment in the Micro, Small and Medium Enterprises (MSMEs). The entrepreneurs of such sectors require finance for investment for different purposes like the fund for investment in start-up, money for working capital or fixed capital etc. Based on the in-depth discussion and exhaustive literature review, four objectives are chalked out for the current study. In this study, we have developed a structural equation model to explore the significant impact of the utility of Public Sector Banks' loan fund to the growth and development of Micro, Small, and Medium Enterprises. The existing research work undertakes a field-based research work with aid of primary data using the responses collected from entrepreneurs as respondents. The collected data has been analyzed using different statistical techniques like Chi-square, Cramer's V test, Correlation Coefficient, Factor Analysis, Regression Analysis, Structural Equation Model, and Path Analysis. An effort has been made for making an in-depth observation of the situation consisting, the outcome of data and the corresponding effect upon different elements or dimensions of the research work. The result obtained from the statistical analysis as done in data analysis chapter, we saw that there is a strong influence of PSBs' loan fund to the Utilization of fund in their respective business, which is ultimately influencing the Financial Performance as well as Capital Formation. The SEM model captures the intra-relationship among the Utility of PSBs' loan fund, Utilization of loan, Financial Performance, and Capital Formation. From the developed model, we have found nine paths out of total thirteen paths are strongly and positively significant. We observed that all the factors of Utility of PSBs' loan fund are directly influencing the Utilization of loan fund. While only two factors namely Availability and

Expected reliance are directly influencing the Financial performance but no one is directly influencing the capital formation.

In the study, it is observed that all the factors have indirect influences on the Capital Formation. Further, with the help of the path analysis, it is found that the Utilization of loan is playing a mediating responsibility in financial performance as well as in capital formation. Therefore, it can be concluded that Entrepreneurs have sufficient reason for the emphasis on Utilization of fund for the growth and performance of their enterprises.

Access of loan fund is playing a significant role in fund Utilization, Financial Performance, and Capital Formation in the MSMEs Sector. So, this is utmost important for the Government and Public Sector Banks to ensure strong access of loan fund to enhance the growth of MSMEs Sector.