



## A STUDY ON MICRO SMALL MEDIUM ENTREPRENEURS PREFERENCE AND PROBLEMS TOWARDS BANKING SERVICES

**Dr. M. Suryakumar\***, Assistant Professor & Research Supervisor, Periyar Institute of Management Studies, Periyar University, Salem, Tamilnadu, India.

**T. Thirunavukkarasu\*\***, Ph.D Research Scholar, Periyar Institute of Management Studies, Periyar University, Salem, Tamilnadu, India.

### ABSTRACT

*This Study was conducted among the Micro Small Medium Enterprise Entrepreneurs using banking services in and around Tiruppur District. Several studies have been conducted on the access and lack of access to facilities among MSMEs. No research has been conducted in Tiruppur district in specific, regarding the level of preference and problems faced by the Micro Small Medium Enterprise Entrepreneurs About various services offered by public, private and Industrial development banks and, in evaluating their satisfaction level towards services offered by them. The ultimate aim of this study is to fill the existing gap in knowledge and act as a stepping stone for future researchers who would like to conduct studies on Micro Small Medium Enterprise. This study helps banks and Micro Small Medium Enterprise in understanding the factors hindering the access to services offered by banks and in doing so, enable them to come up with ways and means of overcoming those challenges. This research is based on the primary data, which was collected among 230 MSME Entrepreneurs in Tiruppur region using well structured questionnaire. This study reveals that, respondents area of residence, gender, educational qualification, nature of business and turnover of respondents concern etc., are some of the major factors contributing to the level of preferences and problems towards services offered by banks.*

**KEYWORDS:** MSME Entrepreneurs, banking services, awareness, satisfaction etc,

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## **INTRODUCTION**

Micro, Small and Medium Enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. MSMEs constitute over 90% of total enterprises in most of the economies are credited with generating the highest of employment growth and account for a major share of industrial production and exports. In India too, the MSMEs plays a pivotal role in the overall industrial economy of the country. MSMEs in India account for more than 80% of the total number of industrial enterprises and produce over 8000 value-added products. 1 It is estimated that in terms of value, this sector accounts for 45% of the manufacturing output and 40% of the total export of the country and employs over 6 crore people.

Further, in the recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of this sector is its employment potential at low capital cost. As per available statistics, this sector employs an estimated of 6 crore people spread over 2.6 crore enterprises and the labour intensity in the MSME sector is estimated to be almost 4 times higher than the large enterprises. Micro, Small, and Medium Enterprises (MSMEs) are the backbone of a nation's economy. They constitute the bulk of the industrial base and also contribute significantly to their exports as well as to their Gross Domestic Product (GDP). In order to sustain and grow, it is very important for the MSMEs around the world not only to deal with big corporate and Government companies but also to interact amongst themselves to identify new business opportunities which are huge.

## **STATEMENT OF THE PROBLEM**

Regardless of being in the business for quite a long while, the MSME business people in Tiruppur organizations were not extending or developing in size and keep on operating in similar premises. The primary test confronted by MSMEs is absence of capital. Absence of capital restrains their capacity to develop and grow their organizations. Stringent loan condition put by banks on MSMEs means that selling products at international markets fail to get capital for running their businesses; as a result, they fail to grow and remain stagnant. In this scenario, the following questions arrive in the minds of the researcher,

1. What all the services provided to MSME entrepreneurs by banks?
2. Weather MSME entrepreneurs were satisfied towards these banking services?

### 3. What were the new product requirements of MSME customers?

## NEED OF THE STUDY

Empowering entrepreneurs are essential for achieving the goals of sustainable development and the bottlenecks for their growth must be eradicated to entitle full participation of the business. Banks are significant providers of credit and different administrations to MSMEs business visionaries in Tiruppur region. In view of on-going monetary slowdown in India credit are not effortlessly accessible and past review demonstrates that substantial organizations can undoubtedly get bank fund and administrations from different budgetary foundations, similar to securities exchange, institutional financial specialists, outer business getting. In any case, MSMEs business visionary's real wellspring of reserve is bank and their own fund. Banks have many product and services for MSMEs but they are not using it to the maximum extent. Banks are not reaching out to the MSME and MSME entrepreneurs are also not aware of the products and services of banks. Hence, the researcher has adopted the title “MSME Entrepreneurs Awareness, Satisfaction, Preference and Problems towards banking services” with special reference to Tiruppur district. As a result the desired outcomes of the business are achieved and more of remunerative business. Hence forth promoting entrepreneurship is certainly a short cut to rapid economic growth and development.

## REVIEW OF LITERATURE

**Angayarkanni (2011)** in her study on “problems of women entrepreneurs in India” revealed that equally in education is the key to meets other requirements for a culture of peace. Women continue to face barriers to economic empowerment and entrepreneurship, these obstacles include discrimination in education, training, hiring, and access to credit the right to own and inherit properly, lower levels of pay, promotion for equal work and greater domestic responsibilities for women.

**Anamalai S and Buvaneshwari. P (2010)** studied that the overall performance of private sector banks during the year 2008-09 was better than the previous year. They broke down the efficiency parameter of the bank like store per branch, progress per branch, business per

branch, store per worker and progress per representative, progress per representative ought to be an impressive one throughout the year.

**Gayathri Balakrishnan .R (2010)** studied the awareness level of customer about banking service offered by both the private sector and public sector banks in Gopichetipalayam by conducting a survey from the bank customers she analysed the awareness level of customers through chi-square analysis. She found that customers are aware of the services offered by the banks. She suggested that the life style of customers can be very easily enhanced by the banks by providing good quality service at the right time and at the right place.

## **OBJECTIVES OF THE STUDY**

1. Study the history and growth of MSME Entrepreneurs and to find the services offered by banks towards MSMEs Entrepreneurs.
2. To find whether MSME Entrepreneurs Preference and Problems towards banking services.

## **RESEARCH METHODOLOGY**

Research is defined as movement from the known to the unknown. It is an effort to discover something. According to Clifford Woody “Research comprise defining and redefining problems formulating hypothesis or suggested solutions, collecting/ organizing and evaluating data making, deduction & research conclusions and at last carefully testing the conclusion to determine whether they fit the formulation hypothesis.

### **Research Design**

The study is concerned with the entrepreneurs in Tiruppur district. The study describes the entrepreneurs’ awareness and satisfaction towards banking services and to analyse their opinion. Research design is a plan of action that guides the entire research in our Study Descriptive Research Design has been adopted.

### **Sampling Design and Method**

Tiruppur district is one of the largest industrial districts in the state of Tamil Nadu. The district consists of a large number of textile mills, engineering industries especially of

Micro, Small and Medium enterprises and agro based industries. The presence of a vast number of MSMEs in the district reveals the entrepreneurial talent of the population of this district.

Out of the twenty eight thousand and eighty one units which were functioning in the year of 2017, the researcher has taken 230 units as sample units for the present study and the data were collected from the proprietors of these units. Initially, the researcher obtained the list of total MSMEs in Tiruppur district from District industries Centre (DIC), study and the data relating to the study were obtained from the proprietors of these two hundred and thirty units. Probability sampling was applied to select the sample. Simple random sampling has been adapted for the collection of primary data from the respondents.

### Data Collection

Questionnaire is the tool used for collecting data. Data collection method is an important task in every research process, which comprises of Primary Data and Secondary Data (The data's are collected through Structured Questionnaire.)

### DATA ANALYSIS AND INTREPRETATOINS

**TABLE NO.1: Fried Man rank correlation regarding preference based on entrepreneurs in banking services**

(SA- strongly Agree,A-Agree N- Neutral, DA- Disagree, SDA- Strongly Disagree)

PREFERENCE	S A	A	N	DA	SDA	RANK VALUE	RANK
Computerization in the banks have helps in lot of time	11 (04.80)	25 (10.90)	26 (11.30)	51 (22.20)	117 (50.90)	9.62	1
Credit card	18 (7.80)	45 (19.60)	32 (13.90)	48 (20.90)	87 (37.80)	8.41	7
Customer friendly	18 (7.80)	37 (16.10)	34 (14.80)	57 (24.80)	84 (36.50)	8.42	6
Easy OD facility	67 (29.10)	20 (8.70)	33 (14.30)	46 (20.00)	64 (27.80)	6.98	12
Financial consultancy	53 (23.00)	56 (24.30)	26 (11.30)	52 (22.60)	43 (18.70)	6.27	15
For converting foreign currency	52 (22.60)	51 (22.20)	34 (14.80)	28 (12.20)	65 (28.30)	6.72	14

For easy fund transfer	35 (15.20)	73 (31.70)	20 (8.70)	44 (19.10)	58 (25.20)	6.77	13
Good customer service	39 (17.00)	33 (14.30)	21 (9.10)	66 (28.70)	71 (30.90)	7.89	10
Government undertaking	45 (19.60)	30 (13.00)	30 (13.00)	84 (36.50)	41 (17.80)	9.18	2
High revenue	26 (11.30)	17 (7.40)	36 (15.70)	67 (29.10)	84 (36.50)	8.67	5
Low processing fees	22 (9.60)	20 (8.70)	41 (17.80)	83 (36.10)	64 (27.80)	8.22	8
RTGS	33 (14.30)	22 (9.60)	34 (14.80)	69 (30.00)	72 (31.30)	8.06	9
Variety of products	19 (8.30)	13 (5.70)	34 (14.80)	82 (35.70)	82 (35.70)	8.78	4
24×7 customer care service	6 (2.60)	19 (8.30)	37 (16.10)	88 (38.30)	80 (34.80)	7.00	11
Others	9 (3.90)	24 (10.40)	31 (13.50)	78 (33.90)	88 (38.30)	9.10	3
Calculated Chi-Square value :184.822							
<i>Source: Collected and Computed through questionnaire</i>							

## INTERPRETATION

Out of 230 respondents 11 (4.80) respondents strongly agree that they preference in Computerization in the banks have helps in lot of time, 25 (10.90) respondents agree that they preference in Computerization in the banks have helps in lot of time, 26 (11.30) respondents neutrally that they preference in Computerization in the banks have helps in lot of time, 51 (22.20) respondents disagree that they preference in Computerization in the banks have helps in lot of time, 117 (50.90) respondents strongly disagree that they preference Computerization in the banks have helps in lot of time, And their mean rank is 9.62.

Out of 230 respondents 45 (19.60) respondents strongly agree that they preference in Government undertaking, 30 (13.00) respondents agree that they preference in Government undertaking, 30 (13.00) respondents neutrally that they preference in Government undertaking, 84 (36.50) respondents disagree that they preference in Government undertaking, 41 (17.80) respondents strongly disagree that they preference Government undertaking, And their mean rank is 9.18.

Chi-Square (184.822) the entrepreneur's preference and banking services are differs.

**TABLE NO.2: Fried Man rank correlation regarding problems based on entrepreneurs in banking services**

PROBLEMS	SA	A	N	DA	SDA	RANK VALUE	RAN K
Asking entrepreneur association information report	38 (16.50)	42 (18.30)	46 (20.00)	53 (23.00)	51 (22.20)	7.03	6
Bankers demand to produce more security	37 (16.10)	48 (20.80)	36 (15.70)	55 (23.90)	54 (23.50)	7.19	4
Delay in handling grievances/complaints	39 (17.00)	62 (27.00)	47 (20.40)	44 (19.10)	38 (16.50)	6.38	13
Delay in obtaining loan	33 (14.30)	53 (23.00)	59 (25.70)	47 (20.40)	38 (16.50)	6.62	12
Delay in processing loan application	29 (12.60)	59 (25.70)	60 (26.10)	41 (17.80)	41 (17.80)	6.65	10
High service charge	26 (11.30)	58 (25.20)	54 (23.50)	45 (19.60)	47 (20.40)	6.95	7
Inconvenient payment schedule	25 (10.90)	54 (23.50)	48 (20.90)	46 (20.00)	57 (24.80)	7.30	3
High rate of interest	31 (13.50)	56 (24.30)	51 (22.20)	47 (20.40)	45 (19.60)	6.89	8
Inconvenient Technology based service	33 (14.30)	52 (22.60)	57 (24.80)	41 (17.80)	47 (20.50)	6.70	9
Lack of effective customer relationship	15 (6.50)	58 (25.20)	45 (19.60)	61 (26.50)	51 (22.20)	7.49	2
Lack of knowledge on working procedure	28 (12.20)	77 (33.50)	38 (16.50)	38 (16.50)	49 (21.30)	6.65	11
Personal guarantees	24 (10.40)	32 (13.90)	42 (18.30)	55 (23.90)	77 (33.50)	8.12	1
Restriction on withdrawal of money	37 (16.10)	44 (19.10)	46 (20.00)	50 (21.70)	53 (23.00)	7.04	5
Calculated Chi-Square value : 249.822							
Source: collected and computed through questionnaire							

## INTERPRETATION

Out of 230 respondents 24 (10.40) respondents strongly agree that they problems in personal guarantees, 32 (13.30) respondents agree that they problems in entrepreneurs

personal guarantees, 42 (18.30) respondents neutrally that they problems in entrepreneurs personal guarantees, 55 (23.90) respondents disagree that they problems in entrepreneurs personal guarantees, 77 (33.50) respondents strongly disagree that they problems in entrepreneurs personal guarantees, And their mean rank is 8.12.

Out of 230 respondents 15 (6.50) respondents strongly agree that they problems in lack of effective and customer relationship, 58 (25.20) respondents agree that they problems in lack of effective and customer relationship, 45 (19.60) respondents neutrally that they problems in lack of effective and customer relationship, 61 (26.50) respondents disagree that they problems in lack of effective and customer relationship, 51 (22.20) respondents strongly disagree that they problems in lack of effective and customer relationship, And their mean rank is 7.49.

Out of 230 respondents 25 (10.90) respondents strongly agree that they problems in handling inconvenient payment schedule, 54 (23.50) respondents agree that they problems in inconvenient payment schedule, 48 (20.90) respondents neutrally that they problems in inconvenient payment schedule, 46 (20.00) respondents disagree that they problems in inconvenient payment schedule, 57 (24.80) respondents strongly disagree that they problems inconvenient payment schedule, And their mean rank is 7.30.

Out of 230 respondents 37 (16.10) respondents strongly agree that they problems in bankers demand to produce more security, 48 (20.80) respondents agree that they problems in bankers demand to produce more security, 36 (15.70) respondents neutrally that they problems in bankers demand to produce more security, 55 (23.90) respondents disagree that they problems in bankers demand to produce more security, 54 (23.50) respondents strongly disagree that they problems bankers demand to produce more security, And their mean rank is 7.19.

Chi-Square (249.822) the entrepreneurs preference and banking services is differs

## **FINDINGS**

- Chi-Square (184.822) the entrepreneur's preference and banking services are differs.
- Chi-Square (249.822) the entrepreneur's problems and banking services are differs.



## SUGGESTIONS

- i) It is understood from study, the private sector banks and foreign banks are leading the public sector banks, in terms of better customer service due to their strength in speed and accuracy of conducting bank transactions. Hence the public sector banks can enhance the speed and accuracy by adopting core banking technology. The speed of the transaction of SBI has increased by over the folds. All due to the introduction of the new core banking technology. Since the adoption of core banking technology by SBI in 2003, the bank has visualized over 60% like in its customer accounts. Only nationalized banks provide subsidies to the entrepreneurs.

## Problems

- ii) Majority of the respondents in Tiruppur District feel that their services charges are high and irrational. The bank should take steps to reconsider the charges for various banking services including credit card facility. This would increase the scope for high utilization of banking services by the entrepreneurs in Tiruppur district.
- iii) Every bank in Tiruppur district should form a proper “Customer complaint cell”. The cell should work out an effective strategy to clear these complaints. Main work of this cell would be customer feedback and entrepreneur satisfaction determination.

Majority of the respondents opinion that collateral security insisted by the lending institution is not clear to them. There is no clear information available to the MSME Entrepreneurs regarding the type of collateral security insisted by the lending institution for loan under different schemes. As there is no specific norm available to the lending institution regarding the type of asset revealed as collateral and the value of the asset insisted for different schemes prevailing to MSMEs entrepreneurs for

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