

Comprehensive Assessment of Public Sector Banks' Support to Micro, Small, and Medium Enterprises (M.S.M.E.) and its Impact on Business Performance

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ABSTRACT

A country's level of prosperity and riches may be gauged by looking at its Gross Domestic Product. India is now competing on a global scale with the most developed nations because to its rapid economic growth in recent years. Small businesses, known as MSME's, account for one-third of India's industrial output and a significant portion of country's GDP. Small and medium-sized enterprises in India covers 12 crore jobs and 45 percent of the country's total exports. More than half of the GDP in most affluent nations comes from exports, and by 2032, India is expected to have surpassed both France and the United Kingdom in terms of GDP, according to the Centre for Economics and Business Research (2021). To attain the nations objective of 5 Trillion budget, there is a crucial requirement for boosting the Micro and Small Enterprises Sector in India. As a result, this study provides a critical evaluation of the aid provided by PSU banks to MSMEs as well as the aforementioned impact on their presentation. The study's authors suggest that a rise in employment and GDP may be achieved via the proper management and growth of micro, small, and medium-sized enterprises.

Keywords: MSME, PSB, Business Performance, Financial Impact

Introduction

Many nations' economies would collapse without the help of public sector banks that provide loans to MSMEs. Most countries rely heavily on micro, small, and medium-sized enterprises for things like financial growth, job creation, and technological advancement. Small and medium-sized businesses (SMBs) benefit greatly since the assistance offered by public sector banks. Some crucial factors are as follows: Public sector banks often make it simpler for micro, small, and medium-sized enterprises to have reference to loans as well as financial services. For businesses that lack the assets or credit history to qualify for loans from commercial banks, this is a lifeline. Small and medium-sized enterprises (SME) may benefit from increased productivity if they have access to cheap loans for growth investments, equipment purchases, and meeting working capital needs.

Loans from public sector banks may be available to micro, small, and medium-sized enterprises (MSMEs) at cheaper interest rates than those offered by commercial banks or non-banking financial organisations. This lowered cost of borrowing may translate into lower operating expenses for MSMEs, enhancing their profitability. Government Schemes and Initiatives: Governments in many countries, frequently in partnership with public sector banks, implement schemes and initiatives to aid micro, small, and medium-sized enterprises (MSMEs). Small and medium-sized enterprises (SMEs) may benefit from these programmes since they provide a range of financing options, from interest subsidies and credit guarantees to collateral-free loans.

Public sector banks may provide training and capacity-building activities for micro, small, and medium-sized enterprises (MSMEs). Improved business acumen, fiscal management, and operational efficacy are all possible outcomes of participating in such activities for micro, small, and medium-sized enterprises. Public sector banks are tasked with nurturing the growth of micro, small, and medium-sized enterprises, hence they may be more forgiving when it comes to determining credit risk. This might be especially helpful for newer businesses with shorter credit histories. In addition, public banks may provide credit guarantees or collateral alternatives to mitigate the risk associated with lending to MSMEs.

When it comes to reaching out to underprivileged and rural communities, public sector banks are frequently the first to act. Public banks may boost economic activity and small company performance by expanding their services into these areas and making capital available to MSMEs. During economic downturns, public sector banks may provide a countercyclical function by lending more funds to micro, small, and medium-sized enterprises. With this backing, these companies may survive economic downturns and come out on the other side stronger.

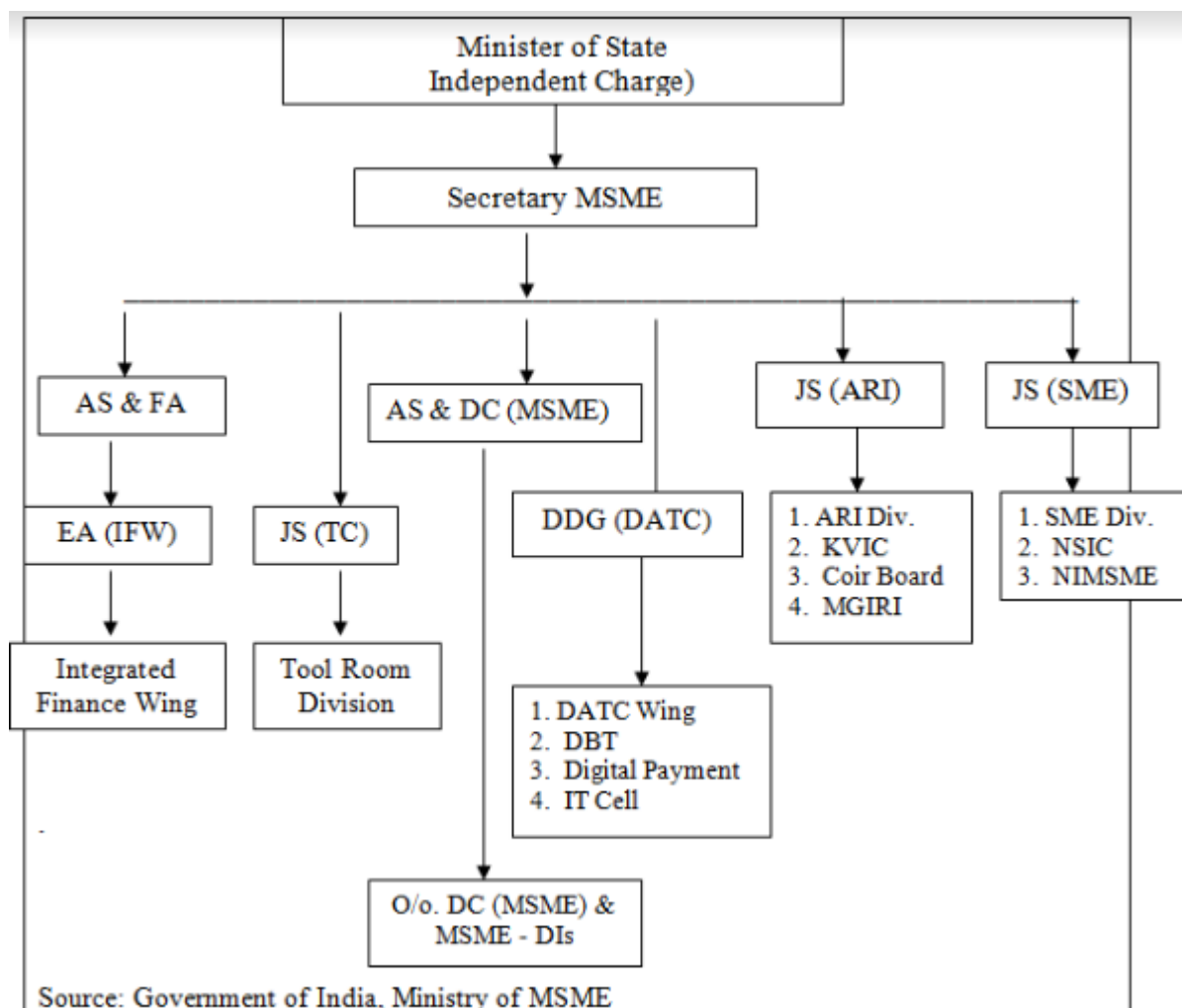
However, bureaucratic inefficiencies, delays in loan processing, and the possibility of political intervention are all significant problems and downsides associated with public sector bank assistance to MSMEs. While there may be some short-term negative effects, in the long run, this assistance usually helps the MSME sector expand and become more stable, which is good for the economy as a whole. Depending on the country's particular policies,

programmes, and practises, public sector bank assistance may or may not take optimistic result on presentation of MSME businesses there. These rules should be reviewed and revised on a regular basis to ensure they are helping MSMEs expand and thrive.

MSME and PSU Banks

In 2021, 21 of India's PSU banks will aid micro, small, and medium-sized enterprises. The following are some of the main arguments in favour of MSMEs receiving growth funding from PSU banks: The government owns 51% of the company and operates under a non-profit mission statement. In the sake of social justice, we are offering loan advances and expert advice to struggling MSEs. PSU Banks' assistance to MSMEs for the latter's expansion was deemed important to the study's analysis.

Government of India-MSME Initiatives



Review of literature

In their research, Kansal et al. (2019) tried to dissect how globalisation has affected the expansion of local businesses. By comparing the pre-globalization and post-globalization eras, we find that "globalisation" had a detrimental effect on the expansion of the small-scale sector in terms of unit growth, output, jobs created, and exports. It demonstrates that globalisation stunted the development of SSI.

According to research by Venkatesh and Muthiah (2020), SMEs are becoming an increasingly important part of the manufacturing sector and a key driver of economic expansion. They emphasised the significance of fostering the SME sector to the nation's economic growth. The aforementioned works shed light on the different elements, such as performance, development, and challenges, of MSMEs in the Indian economy and motivate more study in this area.

India's small-scale industrial sector was the topic of an in-depth performance analysis conducted by Singh et al. (2021). According to their research, the SSI industry has achieved significant strides in terms of the number of SSI units, output, and employment. To increase SSI and achieve growth targets, the report suggests new technological developments and improved financial infrastructure.

Objectives of the Study

- To learn about the several ways in which Public Sector Banks support MSMEs.
- To investigate whether it has aided SMEs function better.
- To investigate if or not there may be other causes of their development.
- The role that various factors—including market circumstances, product life, technological advances, cheaper replacements, consumer patter, government policies, banks' comfortable positions, etc.—play in MSMEs' development and success has to be investigated.

RESEARCH METHODOLOGY

Surveys, data collecting, data analysis, statistical analysis, hypotheses, and reports grounded on empirical evidence were used to conduct this positivist research. Random and stratified random selection methods were employed to choose MSMEs for the research. Overall, 152 instances were gathered, out of a projected 46 for NAAC, 44 for NBA, and 62 for NYAKS

among MSMEs. Using a combination of organised interviews, conversations, and observations. Bank annual reports, textbooks, newspaper articles, and government reports are some examples.

Discussion

Case Study-I

Power outages, industrial downturns, excessive taxes, a lack of available import materials, and other similar issues have plagued many businesses and companies. Due to the monsoon's failure and the banks' severe and stern stance on the issue of advances or on the resurrection of ill units that had developed in NPA, several businesses were forced to close. The SLIIC, the Telangana State Sub-Committee, the Director of Industries, as well various banks are where most of the cases are now sitting. When financial institutions such as banks are under tremendous difficulties on account of large NPA increases, RBI rules, and fear psychosis (RBI, 2017–2018), it is impossible to anticipate favourable outcomes at this time.

Case Study–II

The majority are medium- and small-sized businesses that are financially stable despite the recession, lack of consumer spending, and other threats. This is because these businesses and organisations have other means of support that allow them to persevere during tough times. Taking preventative steps, handling tax issues, outsourcing, exploring alternative materials and production processes, etc. Medium and small businesses are capable of doing this (Katyal and Xavier, 2015; Behera et al., 2017).

Case Study –III

In maximum situations, business owners and managers choose for minimal financing to ease the financial strain on their operations. Many people are waiting for the global and general recession to end, as well as for interest rates to be lowered, banking standards to become more lax, and taxes to be lowered (GST/IT further) as incentives. These industries rely on their work for existence, thus they will be wiped out if the economy experiences a sudden downturn. They are careful on the road. This means slower growth, more costs, and lower profits. They face extra challenges due to the high level of competition and the low cost of Chinese products. In a competitive environment, only the strongest will survive, thus

businesses must use every available strategy to weather bad times so they can thrive when conditions improve (Setyawati et al., 2014; Babu et al., 2015).

The following are summaries of the reasons, remedies, and ideas for interference with Case Study / interview data from entrepreneurs, businesses, partnership firms, etc.

Many small businesses, sole proprietorships, and partnerships are struggling to pay the high cost of financing. Another obstacle for fresh beginnings is the need for Collateral Security when applying for loans. Borrowers are discouraged since getting a loan is a tedious and time-consuming process that requires navigating many bureaucratic agencies. Most company owners and managers would rather have their cash on hand rather than taking out a loan, since interest payments reduce earnings. As a result of the worldwide economic downturn, businesses everywhere are patiently waiting for better times to expand. The tough rivalry is too accountable aimed at firms to reflect twice already obtaining loan.

There is apprehension about taking out new loans because of the severe implications that come from a bank declaring a loan nonperforming after 90 days of unpaid interest. New entrants would be encouraged to join the game if favourable conditions were created, such as increased awareness on different initiatives, a supportive approach from bankers and the MSME Depot and the government, and a raise in the GST cap to Rs.2 Cr. p.a. One method to encourage additional micro, small, and medium-sized enterprises to join market and thrive is to streamline the GST and IT taxation systems so that they are less complicated, easier to comprehend, and more proactive for smaller persons and businesspeople.

Findings

There is a correlation between MSMEs' performance and the level of financial aid they get, and more money means greater expansion. Other variables, including as advances in technology, the availability of cheaper substitutes, and so on, are also connected with MSMEs' development and success. The increase of micro, small, and medium-sized enterprises is positively connected with government policies that support MSMEs. An increase of micro, small, and medium-sized enterprises is positively connected with government policy that levies high duties on imported products. Government initiatives that encourage large corporations to buy from small and medium enterprises have been shown to

enhance MSME's sales, growth, and ultimately their chances of success. The global recession is linked to micro, small, and medium-sized enterprises, and it has a negative influence on MSMEs' growth as turnover decreases.

An accessibility of inexpensive bring in alternative items has link with MSMEs development and such accessibility will affect MSMEs revenue and development. An increase of micro, small, and medium-sized enterprises is impacted by the high taxes charged on the products they manufacture.

In order to boost output, turnover, and development MSMEs need additional help from large industrial houses for their auxiliary units. The expansion of micro, small, and medium-sized enterprises is tied to a government programme that subsidizes the cost of raw materials.

Government banks making soft bank loans available to MSMEs would have a constructive influence on MSMEs' development since it would lower their financing costs, which in turn would lower their production costs. A reduction in production costs and increased competitiveness might result from the government making accessible imported excellent manufacturing technology, which has a positive correlation with the expansion of MSMEs. Unless the government begins the provision of such facilities at reduced prices, the adoption of a new taxation system, online filing, and other computer-savvy measures would have a negative impact on the development of MSMEs. Any increase in import tariffs by a foreign government would take an undesirable effect on MSMEs because of higher prices for consumers and the greater likelihood of good rejection, which in turn reduces the competitiveness of our products.

The expansion of MSME is tied to the government's provision of reduced electricity costs for MSME, since this contributes to lower production costs, which in turn leads to more profit, expansion, and success for MSME. Dishonest business practices, such as tax evasion, failing to pay interest on loans to financial institutions, using company money for personal expenses like gambling and real estate investments, etc., damage the credibility of small businesses, which leads to the refusal of loans from financial institutions and the imposition of fines and levies by governments.

CONCLUSIONS

SMEs are up against a number of obstacles, such as the RBI's and the government's stringent rules, as well as the sector's own emphasis on quality and competitiveness. Despite challenges such as the recent economic downturn, high inflation, and rising costs, the MSME sector is expanding and may need further assistance in the form of grants, advances of soft loans, subsidies, as well the like. The current case of 18 football apprentices and their trainer caving in Thailand, where MSME enterprises offered free oxygen, exemplifies the fact that MSME have a humane attitude that does not necessarily survive for profits.

SMEs that want towardmaximize the potential for economic growth (and thereby the wealth of their home nation) need constant support and oversight. To achieve the goals of the many changes introduced by the MSMED Act, it is necessary to provide social, economic, technical, and financial assistance to MSME businesses. Hard effort and devotion are the backbone of the MSME companies' success and development. The potential of MSMEs is limitless. Unity in diversity, the motto of global harmony, is not taking hold anywhere. Let's make the industrial revolution a resounding success and set an example for other countries to follow.

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