

Performance of all Public Sector Banks with Reference to Micro and Small Enterprises Sector Credit

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Abstract

The micro and small enterprises (MSE) sector has developed into a highly vibrant and dynamic sector of the Indian economy since the last few decades. The sector contributed about 45% of the country's manufacturing output, 40% of total exports of the country, employed about 69 million persons in over 29 million units throughout the country (as per the 12th Five Year Plan), and the sector contributed to 8% of the country's GDP (Annual Report 2013-14, Ministry of MSME, Government of India). In spite of the major contributions to the economy, the sector faces varied challenges such as problems in achieving economies of scale in procuring equipment, raw materials, finances, and consultancy services. Among these challenges, the procurement of finances is considered as a major challenge. The MSE sector primarily relies on bank finance for their business purposes. However, still, availing timely and adequate finances is not hassle free. The Government of India and Reserve Bank of India have been taking enormous steps through Five - Year plans and policy guidelines to boost up finances to this vibrant sector. The Government of India enacted the Micro and Small Enterprises Development (MSMED) Act, 2006 with the aim of ensuring an adequate flow of capital to the MSE sector to keep the sector ever vibrant. With this background, the present study was undertaken to review the performance of all scheduled commercial banks at an all India level with the aim of understanding the growth in the flow of credit to this sector from the year 2000-01 to 2013-14. Every year, all scheduled commercial banks should earmark 40% of their total advances to the priority sector, and the MSE sector is also a part of this priority sector. The study revealed that the total amount of credit outstanding to the MSE sector from all scheduled commercial banks was ₹ 60,319 crores in 2000-01 and it had increased to ₹ 8,46,135 crores in the year 2013-14, registering a compound annual growth rate of 23% during the period of the study. Even though there is a hike in the flow of credit to the MSE sector after the passage of the MSMED Act, the Mann-Whitney U test revealed that statistically, there was no significant difference in the growth rates of credit flow after the passage of the Act.

Keywords : public sector banks, micro and small enterprises, amount of credit outstanding

JEL Classification : E51, G21, G28

Paper Submission Date : February 10, 2016 ; **Paper sent back for Revision :** March 15, 2016 ; **Paper Acceptance Date :** June 10, 2016

The micro, small, and medium enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last few decades and it is also recognized as the real engine of growth for the Indian economy (Varma, 2011). The sector is highlighted as a breeding ground for entrepreneurship at the grass the root level and continues to show dynamism in terms of employment generation, contribution to GDP, and export earnings (Agarwal & Singh, 2011). The MSME sector contributed about 45% of the country's manufacturing output, 40% of total exports of the country, and employed about 69 million persons in over 29 million units throughout the country (12th Five Year Plan). The sector also contributed nearly 8% of our country's GDP (Annual Report 2013-14, Ministry of MSME).

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With the country moving towards a more inclusive growth agenda, a robust MSME sector can accelerate the growth rate, as MSMEs do not necessitate huge investments while simultaneously act as ancillary units to large industries. Hence, for the growth of the manufacturing sector in the country, there is a need to focus on the MSME sector. Timely and adequate credit is the most crucial input that can make the micro and small enterprises sector more competitive. Technology upgradation and modernization are possible with liberal credit at low cost (Bodla, 2004). Without adequate bank finance, micro and small enterprises can neither acquire new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms (Srinivasan, 2005).

As finances from commercial banks are the largest source of finance for the MSE sector, the Reserve Bank of India, commercial banks, and financial institutions have given special attention to financing MSEs and have included it in priority sector lending. Former Prime Minister, Dr. Manmohan Singh also advocated that greater availability of credit would contribute to the modernization of the sector and would enhance the productivity and competitiveness of the same. Public sector banks have been pioneers in providing financial assistance to several MSMEs which can approach the banks for loans under various schemes. Hence, the RBI has mandated scheduled commercial banks to achieve 20% year-on-year credit growth to the MSE sector. Hence, there is a need that arises to evaluate the performance of public sector banks at the all India level.

Statement of the Problem

Ensuring adequate supply of institutional credit to the MSE sector is very essential for its continuous growth. Commercial banks being the major financier of MSEs, the government committed to doubling the credit flow through public sector banks to the MSE sector in 5 years by March 2010. Further, the Government of India enacted the Micro, Small and Medium Enterprises Development Act, 2006 in order to facilitate, promote, and develop the sector. Despite the high level of liquidity in the banking system and the initiatives taken by the Union Government and Reserve Bank of India, only 10.87% of the registered micro and small enterprises had availed institutional credit as per the 4th All India Census of Micro, Small and Medium Enterprises conducted in the year 2006-07. In this connection, the following research question was raised : What is the extent of credit contribution by all public sector banks to the MSE sector?

Objective of the Study

The present study reviews the performance of all public sector banks with reference to micro and small enterprises sector credit at the all India level before and after the enactment of the MSMED Act, 2006.

Scope of the Study

The study analyzed the flow of credit to the MSE sector in terms of total amount of credit outstanding from the year 2000-01 to 2013-14, its annual growth rate, its percentage on total priority sector credit, its percentage on total net bank credit and number of accounts, and its percentage on number of accounts of priority sector credit. An effort was taken to analyze whether the growth in the flow of credit to the MSE sector was same at the all India level, Tamil Nadu state level, and Coimbatore district level. Again, an attempt was made to know whether there was any enhancement in the flow of credit to the MSE sector after the passage of the MSMED Act, 2006. Non-performing assets with reference to MSE credit were also analyzed.

Analysis and Results

As on March 31, 2013 there were 26 public sector commercial banks in India comprising of 20 nationalized banks

Table 1. Credit to Micro and Small Enterprises Sector by PSBs at the All India Level

Year	Total amount of credit Outstanding to MSE sector (₹ in crores)	Annual growth rate of amount outstanding (in %)	MSEs credit as a percentage on total priority sector credit (in %)	MSEs credit as a percentage on Net Bank Credit (in %)	No. of Accounts (in lakhs)	No. of accounts of MSEs credit as a percentage on Total priority sector credit (in %)
2000-01	48,400 (80.24)	5.11	32.40	14.2	20.00	6.95
2001-02	54,268 (80.47)	10.81	31.60	13.67	19.00	7.06
2002-03	52,646 (81.36)	-3.08	26.30	11.02	17.00	6.35
2003-04	58,311 (81.88)	9.72	23.80	10.43	17.00	5.65
2004-05	67,800 (81.39)	14.00	22.15	9.48	14.00	4.38
2005-06	82,434 (81.39)	17.75	20.12	8.10	17.00	4.72
2006-07	1,02,550 (80.54)	19.62	19.67	7.81	17.00	4.35
2007-08	1,51,137 (70.78)	32.15	18.8	11.08	40.00	9.71
2008-09	1,91,408 (74.73)	21.04	26.40	11.29	42.00	9.73
2009-10	2,76,319 (76.3)	30.73	31.90	13.24	74.00	16.15
2010-11	3,76,625 (77.5)	26.63	36.60	13.35	75.00	15.50
2011-12	3,99,600 (75.57)	5.75	35.10	13.13	72.00	13.60
2012-13	4,78,400 (73.78)	16.47	37.27	13.50	74.46	12.73
2013-14	5,87,400 (69.42)	22.78	36.28	14.51	82.90	12.88
Mean	2,09,092.71	16.39	28.46	11.77	41.53	9.27
SD	1,82,410.11	-	-	-	27.79	-
CV (%)	87.24	-	-	-	66.92	-
CAGR (%)	21	-	-	-	12	-

Source: Trend and Progress of Banking in India by RBI - Various issues; Statistical Tables relating to Banks in India by RBI - Various issues The data for the period upto 2006-07 is pertaining to small scale industries (SSIs). Figures in parentheses indicate percentage share on total credit to MSEs by All SCBs at all India level;

SD : standard deviation ; CV : coefficient of variation ; CAGR : compound annual growth rate

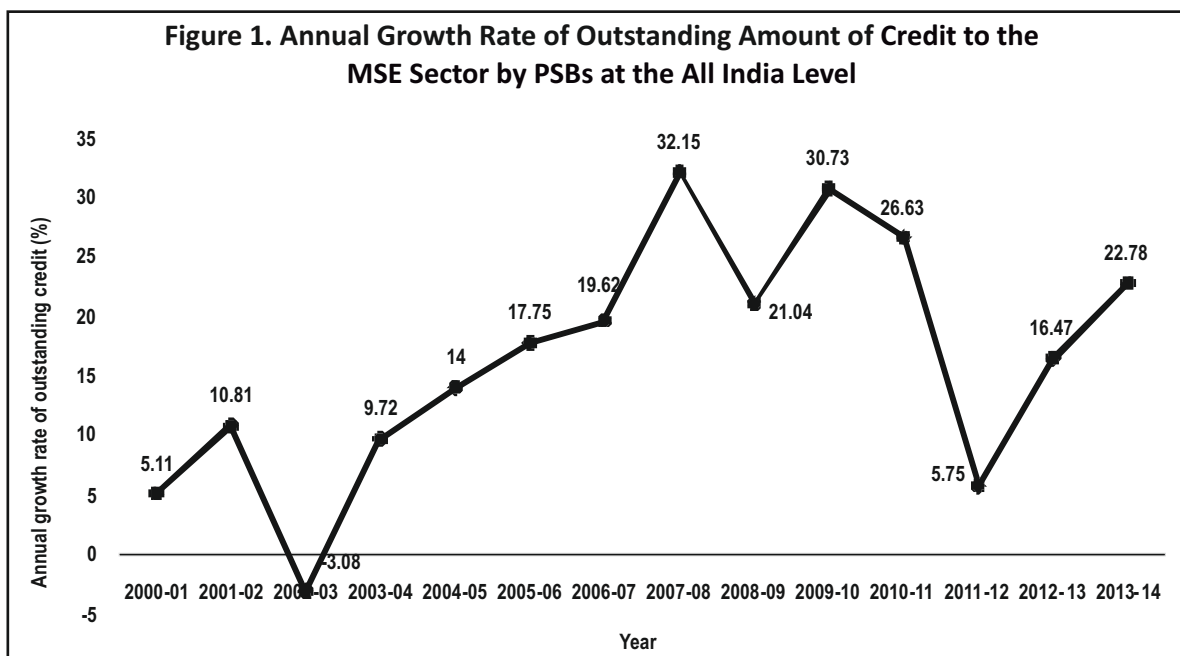


Table 1A. Results of Mann Whitney 'U' Test Comparing the Flow of Credit to the MSE Sector Before and After the MSMED Act at the All India level (PSBs)

Variables	Groups	N	Mean Rank	Sum of Ranks	U	Z	P
Amount Outstanding	Before MSMED Act	7	4	28	0	-2.928	0.003*
	After MSMED Act	6	10.5	63			
Annual growth rates	Before MSMED Act	7	5	35	7	-1.928	0.053
	After MSMED Act	6	9.33	56			

*The difference is significant since $p < .05$

and six State Bank of India and its groups. With this wide network, PSBs are catering to the financial needs of micro and small enterprises in the country. A detailed study was considered essential to ascertain the performance of PSBs regarding MSEs credit at the all India level, Tamil Nadu state level, and Coimbatore district level.

(1) Total Credit to Micro and Small Enterprises Sector of PSBs at the All India level : The Table 1 highlights the credit given by public sector commercial banks to the MSE sector at the all India level during the study period.

The Table 1 highlights the outstanding amount of credit to the MSE sector by PSBs at the all India level. It was ₹ 48,400 crores in the year 2000-01 and the same was ₹ 5,87,400 crores in the year 2013-14. The amount of credit outstanding shows an increasing trend throughout the study period with a mean value of ₹ 2,09,092.71 crores and the CAGR of the same is 21%.

As per the direction of the Union Finance Ministry during August 2005, for funding micro and small enterprises, a minimum of 20% year to year growth had to be achieved by the PSBs. There was more than 20% year to year achievement by PSBs from the year 2006 to 2012. The growth rate was tremendous during the year 2007-2008 (Figure 1). The credit flow to the MSE sector during the period from 2005 to 2010 was more than the stipulated norms.

The Table 1 also depicts the year to year growth rate of the amount outstanding. The yearly growth rate was the highest in the year 2007-08 at 32.15%. The same recorded a negative growth rate of -3.08% during the year 2002-03. The Table 1 also exhibits the amount of outstanding credit as a percentage of total priority sector credit. The highest was in the year 2012-13 at 37.27%, and the lowest was recorded in the year 2007-08 at 18.8%. As far as the number of accounts is concerned, the highest number was recorded in the year 2013-14 with ₹ 82.90 lakhs with the CAGR of 12%.

In order to study the impact of the MSMED Act, 2006 and to ascertain whether there was any increase in the flow of credit to the micro and small enterprise sector after the enactment of the Act, the following hypotheses were framed :

- ↪ **H01:** The MSMED Act did not have a significant impact on increasing the flow of credit to MSEs.
- ↪ **Ha1:** The MSMED Act has had a significant impact on increasing the flow of credit to MSEs.

To test the hypotheses, the amount of credit outstanding and annual growth rates of MSEs credit for two periods, one from 2000-01 to 2006-07 and another one from 2008-09 to 2013-14, leaving the year 2007-08, in which the new definition for micro and small enterprises was taken into account by all public sector banks, were considered as independent samples and a Mann Whitney U test was conducted. The test results are presented in Table 1A.

The test results depicted in the Table 1A reveal that the flow of MSEs credit before and after MSMED Act show some statistical difference ($Z = -2.928; p = 0.003 < .05$). Hence, the null hypothesis H01 is rejected regarding the amount outstanding. At the same time, the growth rates of the two periods were not affected significantly.

Table 2. Distribution of Direct and Indirect Credit to MSEs by PSBs at the All India Level

Year	Direct credit					Indirect credit				
	Total amount of direct credit to MSE sector (₹ in crores)	Annual growth rate of direct credit (in %)	Direct credit as a percentage of Total credit to MSEs (in %)	No. of Accounts of direct credit (in lakhs)	No. of Accounts of direct credit as a percentage on No. of accounts of MSEs credit (in %)	Total amount of indirect credit (₹ in crores)	Annual growth rate of indirect credit (in %)	Indirect credit as a percentage on Total credit to MSEs (in %)	No. of Accounts of indirect credit (in lakhs)	No. of accounts of indirect credit as a percentage on No. of accounts of total credit to MSEs (in%)
2007-08	1,47,864	-	97.83	39.80	99.5	3,273	-	2.17	0.20	0.50
2008-09	1,88,217	27.29	98.33	41.88	99.71	3,191	-2.59	1.67	0.12	0.29
2009-10	2,68,650	42.73	97.22	73.66	99.54	7,669	58.39	2.78	0.34	0.46
2010-11	3,61,184	34.44	95.90	74.47	99.29	15,441	50.33	4.10	0.53	0.71
2011-12	3,86,100	6.90	96.62	71.95	99.93	13,500	-14.38	3.38	0.05	0.07
2012-13	4,61,000	19.40	96.36	73.72	98.82	16,600	22.96	3.47	0.88	1.18

Source: Statistical Tables Relating to Banks in India by RBI – Various issues

*Category wise data was available from the year 2007-08 onwards after the implementation of the revised guidelines on priority sector advances by All SCBs issued by RBI on 30th April 2007.

SD : standard deviation; CV : coefficient of variation; CAGR : compound annual growth rate

Hence, the null hypothesis H01 is accepted regarding annual growth rates. It can be concluded that the MSMED Act has had a significant impact on the flow of more credit to micro and small enterprises sector at the all India level. However, the flow of credit to MSEs still needs to be boosted up.

(2) Distribution of Direct and Indirect Credit to the MSE Sector of PSBs at the All India Level : The Table 2 portrays the distribution of direct and indirect credit to the MSE sector of PSBs at an all India level during the study period.

The study was conducted from the year 2007-08 to 2012-13 after the implementation of the revised guidelines on priority sector advances by all SCBs issued by RBI on April 30, 2007. It is seen from the Table 2 that the direct credit in terms of number of accounts as well as amount outstanding showed a tremendous increase during the period under reference. The number of accounts was 39.80 lakhs in the year 2007-08 and the same was at its peak during 2010-11 at 74.47 lakhs with a mean value of 62.58 lakhs and the CAGR was 13%. The amount outstanding with reference to direct credit ranged from ₹ 1,47,864 crores to ₹ 4,61,000 crores during the study period. The percentage of direct credit on total credit shows an average of 97.04%.

As far as the indirect credit is concerned, it also showed an increasing trend from the year 2007-08 to 2012-13 except for a variation during the year 2008-09. It was ₹ 3,273 crores in the year 2007-08 and the same was ₹ 16,600 crores in the year 2012-13. The Table 2 reveals that the average annual growth rate of outstanding amount of indirect credit was 22.94 % advanced by the PSBs. The percentage of indirect credit to total credit was 2.93%. As far as the number of accounts was concerned, the average score was 0.35 lakhs and the CAGR of the same was 34% during the study period. From the Table 2, it can be observed that the distribution of direct and indirect credit to MSEs in terms of amount outstanding showed an increasing trend during the study period.

(3) Total Credit to the Micro and Small Enterprises Sector Given by Public Sector Banks at the Tamil Nadu State Level : As on March 31, 2014 there were 6,003 branches of public sector banks consisting of 1,221 branches of

Table 3. Credit to the Micro and Small Enterprises Sector by PSBs at the Tamil Nadu State Level

Year	Total amount of credit to MSEs (₹ in crores)	Annual growth rate of MSEs credit (in %)	MSEs credit as a percentage on Priority sector credit (in %)	MSEs credit as a percentage on Total Credit by PSBs (in %)
2000-01	4,002 (51.40)	29.54	30.75	10.48
2001-02	5,102 (66.17)	27.49	32.87	19.97
2002-03	6,181 (77.86)	21.13	33.18	12.81
2003-04	8,904 (95.29)	44.07	36.33	15.51
2004-05	10,690 (95.34)	20.05	23.39	14.69
2005-06	12,305 (89.78)	15.11	31.30	12.97
2006-07	13,106 (77.09)	6.50	26.04	8.78
2007-08	16,250 (61.40)	24.00	26.05	10.62
2008-09	19,862 (66.75)	22.23	26.30	10.46
2009-10	30,384 (72.71)	52.98	32.00	13.30
2010-11	38,383 (66.71)	26.32	34.21	13.97
2011-12	45,937 (66.80)	19.68	39.31	14.19
2012-13	48,723 (65.90)	6.06	41.69	13.08
2013-14	57,208 (65.84)	17.41	32.77	13.89
Mean	22,645.5	23.76	31.87	13.19
S.D	18,037.19	-	-	-
C.V (%)	79.65	-	-	-
CAGR (%)	23	-	-	-

Source: Trend and Progress of Banking in India by RBI - Various issues

Statistical Tables Relating to Banks in India by RBI - Various issues

State Level Bankers Committee (Tamil Nadu) -Agenda

Figures in parentheses indicate percentage share on total credit to MSEs by All SCBs at Tamil Nadu state level; SD : standard deviation ; CV : coefficient of variation ; CAGR- compound annual growth rate

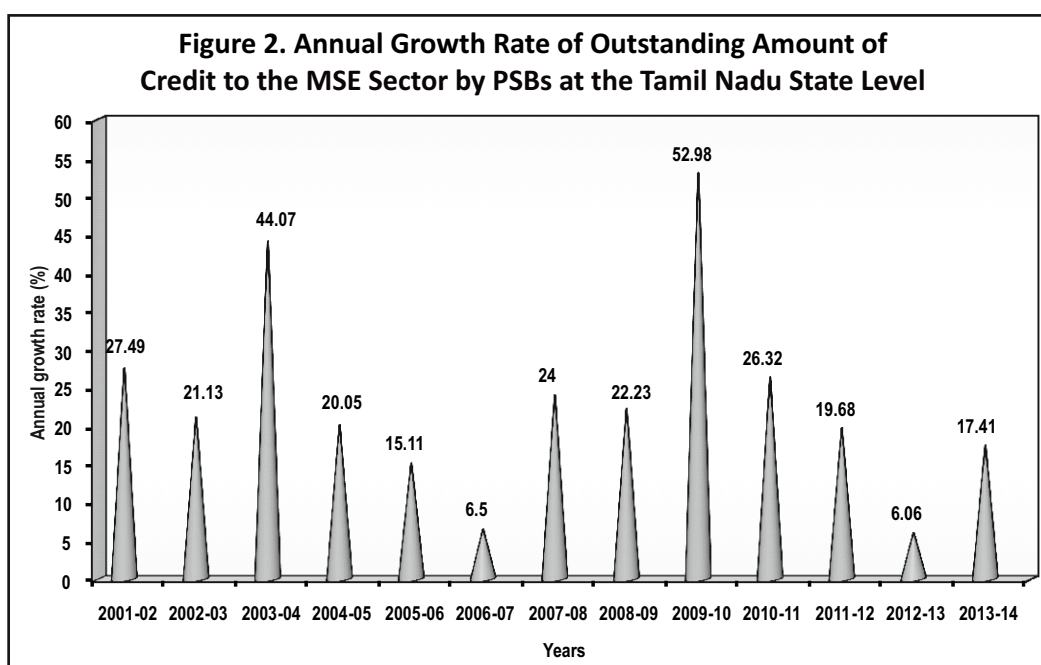


Table 3A. Results of Mann Whitney 'U' Test : Comparison of Credit Flow to the MSE Sector Before and After the MSMED Act at the Tamil Nadu State Level (PSBs)

Variables	Groups	N	Mean Rank	Sum of Ranks	U	Z	P
Amount Outstanding	Before MSMED Act	7	4	28	0	-2.928	0.003*
	After MSMED Act	6	10.5	63			
Annual growth rates	Before MSMED Act	7	7.29	51	19	0.214	0.833
	After MSMED Act	6	6.67	40			

*The difference is significant since $p < .05$

SBI and its subsidiaries ; 4,695 branches of nationalized banks ; and 87 branches of other public sector banks. The Table 3 and Figure 2 exhibit the total amount of credit flows to the MSE sector given by public sector banks in Tamil Nadu in terms of outstanding amount.

The Table 3 expresses that the outstanding amount of credit to the MSE sector by PSBs at the Tamil Nadu state level showed an increasing trend from the year 2000-01 to 2013-14. It was ₹ 4,002 crores in the year 2000-01 and the same was ₹ 57,208 crores in the year 2013-14. After the enactment of the MSMED Act, there was a marked improvement in the amount of credit given to MSEs by the PSBs at the Tamil Nadu state level. The mean amount of credit outstanding was ₹ 22,645.5 crores and the CAGR of the same was 23%. The Table 3 and Figure 2 exhibit the annual growth rate of amount outstanding. While it recorded the highest growth of 52.98 % in the year 2009-10, the lowest was recorded in the year 2012-13 at 6.06%.

The Table 3 also shows that the percentage of advances outstanding from the MSE sector against priority sector advances ranged from 30.75% in the year 2000-01 to 32.77% in the year 2013-14. It was noticed that a minimum of 20% year to year growth had not been achieved by PSBs in Tamil Nadu as per the instruction of the Union Finance Ministry's Policy Package, August 2005 for granting credit to micro and small enterprises. The credit flow to the MSE sector increased more than twice as against the stipulated norms of twice from the year 2005 to 2010, while it was ₹ 10,690 crores in the year 2004-05, the same was ₹ 30,384 crores in the year 2009-10.

In order to study the impact of the MSMED Act, 2006 and to know whether there was any increase in the flow of credit to the micro and small enterprise sector by all public sector banks at Tamil Nadu state level after the enactment of the Act, the following hypotheses were framed :

- ↪ **H02** : The MSMED Act does not have a significant impact on increasing the flow of credit to MSEs.
- ↪ **Ha2** : The MSMED Act has a significant impact on increasing the flow of credit to MSEs.

For testing the hypotheses, the amount outstanding and growth rates of MSEs credit for two periods, one from 2000-01 to 2006-07 and another one from 2008-09 to 2013-14 leaving the year 2007-08 in which the new definition for micro and small enterprises was taken into account by all public sector banks were considered as independent samples and a Mann Whitney U test was conducted. The test results are presented in the Table 3 A . The test results in the Table 3A reveal that the credit flow to MSEs before and after the MSMED Act has a statistical difference ($Z = -2.928$; $p = 0.003 < 0.05$) at the Tamil Nadu state level by PSBs. Hence, the null hypothesis H02 is rejected. The results also show that the growth rates were not affected by the Act. Hence, it is concluded that the MSMED Act had a significant impact on the flow of more credit to micro and small enterprises sector, but the growth rates still need to be improved.

(4) Total Credit to the Micro and Small Enterprises Sector by Public Sector Banks at the Coimbatore District Level : The Table 4 highlights the outstanding amount of credit to the MSE sector of PSBs at the Coimbatore district level during the study period. The outstanding amount of credit granted by public sector commercial

Table 4. Credit to Micro and Small Enterprises Sector of PSBs at the Coimbatore District Level

Year	Total amount of credit to MSEs (₹ in crores)	Annual growth rate of MSEs credit (in %)	MSEs credit as a percentage on Priority sector credit of PSBs (in %)	MSEs credit as a percentage on total advances of PSBs (in %)
2000-01	1,204 (70.00)	18.52	66.73	24.03
2001-02	1,448 (68.98)	20.25	68.17	24.29
2002-03	1,655 (68.33)	14.29	61.03	26.28
2003-04	1,903 (69.50)	15.0	60.70	25.72
2004-05	2,405 (79.98)	26.34	57.03	28.09
2005-06	2,807 (76.99)	16.72	45.64	26.87
2006-07	3,754 (80.49)	33.73	53.63	21.15
2007-08	5,057 (77.82)	34.70	52.84	21.01
2008-09	4,630 (79.97)	-8.45	55.71	19.95
2009-10	3,548 (80.00)	-23.31	39.67	18.30
2010-11	4,606 (82.00)	29.83	46.68	20.69
2011-12	6,412 (80.00)	39.22	60.93	23.01
2012-13	5,569 (75.65)	-13.15	39.84	16.66
2013-14	5,982 (74.63)	7.41	38.19	16.37
Mean	3,641.43	15.08	53.34	22.32
S.D	1,770.44	-	-	-
C.V (%)	48.62	-	-	-
CAGR (%)	13	-	-	-

Source: Annual Credit Plan of Coimbatore District by Lead Bank (Canara Bank) - Various issues

The data for the period upto 2006-07 is pertaining to Small Scale Industries (SSI)

Figures in parentheses indicates percentage share on total credit to MSEs by All SCBs at Coimbatore district level

SD : standard deviation ; CV : coefficient of variation ; CAGR- compound annual growth rate

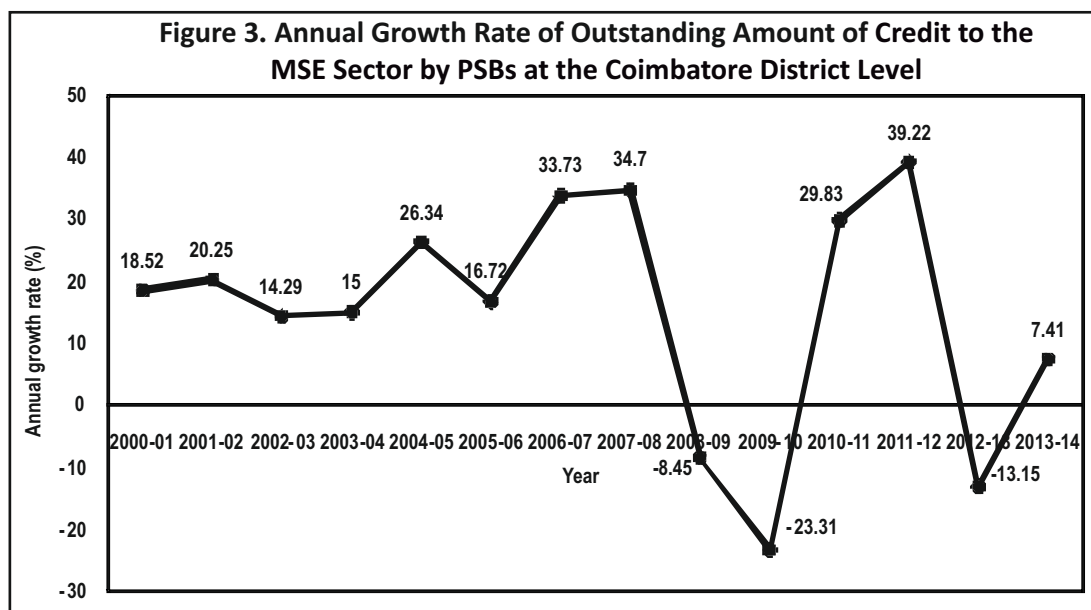


Table 4A. The Results of Mann Whitney 'U' Test - Comparison of the Credit Flow to the MSEs Sector Before and After the MSMED Act at the Coimbatore District Level (PSBs)

Variables	Groups	N	Mean Rank	Sum of Ranks	U	Z	P
Amount Outstanding	Before MSMED Act	7	4.14	29	1	-2.785	0.005*
	After MSMED Act	6	10.33	62			
Annual growth rates	Before MSMED Act	7	8.14	57	13	1.071	0.284
	After MSMED Act	6	5.67	34			

*The difference is significant since $p < .05$

banks to the MSE sector was at ₹ 1,204 crores in the year 2000-01 and it was at ₹ 5,982 crores in the year 2013-14, which shows a remarkable trend (Table 4). As far as the annual growth rate of amount of credit outstanding was concerned, it ranged from a high of 34.70% in the year 2007-08 to a low of - 23.31% in the year 2012-13 (Figure 3). The Table 4 also shows the percentage of amount outstanding of MSEs credit as a percentage on total priority sector credit. The highest percentage was at 68.17% in the year 2001-02 and the lowest was at 38.19% in the year 2013-14.

The Table 4 also highlights the percentage of amount outstanding with MSE sector credit against total advances of PSBs. It ranged from 24.03% to 16.66% during the period from 2000-01 to 2013-14. As per the instructions of the Union Finance Ministry Policy Package, August 2005 relating to credit to MSEs, a minimum of 20% year to year growth had not been achieved by PSBs in Coimbatore and the credit flow to the MSE sector had not been increased by double as against the instruction of double time increase from March 2005 to March 2010.

In order to study the impact of the MSMED Act, 2006 and to know whether there is any increase in the flow of credit to micro and small enterprises sector by public sector banks before and after the enactment of the Act, the following hypotheses were framed :

- ↪ **H03:** The MSMED Act does not have a significant impact on increasing the flow of credit to MSEs.
- ↪ **Ha3:** The MSMED Act has had a significant impact on increasing the flow of credit to MSEs.

For testing the hypotheses, the growth rates of MSEs credit for two periods, one from 2000-01 to 2006-07 and another one from 2008-09 to 2013-14 leaving the year 2007-08 in which the new definition for micro and small enterprises was taken into account by all scheduled commercial banks were considered as independent samples and a Mann Whitney U test was conducted. The test results are presented in the Table 4 A.

The findings in the Table 4A reveal that the growth in the flow of MSEs credit by public sector commercial banks at the Coimbatore level before and after the MSMED Act came out with some statistical difference ($Z = -2.785; p = 0.005 < .05$). The results also expressed that the growth in the credit flow did not come out with significant differences. Hence, the null hypothesis H03 is rejected. It can be concluded that the MSMED Act has had a significant impact in transferring more credit to the MSE sector. However, the volume of credit should be hiked too.

Another set of hypothesis was tested to find out whether there was any significant difference in the growth rates of outstanding credit amount on account of MSEs by public sector commercial banks at the all India level, Tamil Nadu state level, and Coimbatore district level.

- ↪ **H04 :** The growth rates of credit extended by public sector commercial banks to MSEs at all India level, Tamil Nadu state level, and Coimbatore district level do not differ significantly.
- ↪ **Ha4:** The growth rates of credit extended by public sector commercial banks to MSEs at all India level, Tamil Nadu state level, and Coimbatore District level differ significantly.

Table 5. Results of Kruskal Wallis Test (PSBs) - Comparison of the Growth Rates of Credit to the MSE Sector at all India, State, and District Level (PSBs)

Group	N	Mean rank	Chi-square (χ^2)	df	p
All India level	14	19.08	0.928	2	0.629*
Tamil Nadu state level	14	22.46			
Coimbatore district level	14	18.46			

* The difference is insignificant since $p > .05$

In order to test the hypotheses, the Kruskal-Wallis H test was done and the test results are depicted in the Table 5. The critical value for H from chi-square distribution for $p = 0.05$ with $df = 2$ is 0.928, which is found to be insignificant (Table 5). Hence, the null hypothesis H₀ is accepted. Hence, there is no significant difference in the growth rates of the amount outstanding in respect of credit to MSEs at all India level, Tamil Nadu state level, and Coimbatore district level.

Conclusion

From the results, it can be ascertained that the flow of credit in terms of outstanding amount to micro and small enterprises by all public sector commercial banks in India at the all India level, Tamil Nadu state level, and Coimbatore district level has shown an increasing trend after the passage of the MSMED Act, 2006, but statistically, we found no significant difference in the growth rates of credit even after the passage of the said Act. In other words, it can be said that the funding to micro and small enterprises moves up slowly (Leena, 2010). Since micro and small enterprises sector is a vibrant sector in the country, the flow of adequate finance is to be ensured.

Limitations of the Study and Scope for Further Research

Limitations that are inherent in the use of secondary data are applicable to the present study as well. State wise and district wise analysis can be done at the pan- India level with the help of secondary data. This may reveal some noticeable results.

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