INTEREST RATE & CREDIT AVAILABILITY EFFECTS ON MSMES DUE TO MONETARY POLICY: AN OBSERVED FACT

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Abstract: Monetary Policy changes influences bank lending and this will have a direct or indirect effect on the operations of small and medium enterprises. Higher interest rates and inadequate credit availability have an effect on MSMEs performance. The effect is more severe during tight monetary policy as the interest rates would be higher and credit availability is tight. MSMEs find it difficult to access sufficient funds at cheaper cost hence the survival becomes a challenge. The paper examines the effect of interest rates and credit availability on MSMEs due to monetary policy changes. It is found that MSMEs investment activities slow down, shed the inventories, reshuffle loans, loan defaults increase and performance of gets affected during tight monetary policy.

Key Words: Monetary policy, Interest rates, Credit, MSMEs, Effect.

Introduction:

The objectives of Monetary Policy are to maintain a degree of price stability and accelerate economic growth of the country. Earlier studies conducted on Monetary Policy effects on banks and small industries clearly say that the Monetary Policy changes influences bank lending and this will have a direct or indirect effect on the operations of small and medium enterprises.

The contractionay monetary policy reduces money available with the banking system and the interest rates go up. Due to this the small enterprises who have difficulty in getting funds from external sources. Banks would be cautious and reduce lending to this sector due to their risk profile. Hence inadequate credit availability in time will force them to depend on other external sources of finance like money lender, which charge higher interest rates. Higher interest rates on loans will not allow them to operate at a optimum level. Due to inadequate credit availability and higher interest rates there will be deviations from the expected profits. The cost of production, working capital would go up during this tight money period. Evidences reveal that the investment activities in plant machinary would be affected during this period. There are chances reduction in companies repayment capacity of loan and inturn will have an effect on credit worthiness. Small companies will find it difficult to repay loan and probability of it being declared as NPA are high during contractionat monetary policy.

On the other side expansionary monetary policy is believed to conducive for the economy as it increases the money supply in the banking system and there will be fall in the interest rates. Growth opportunities will be high for small industries during this period. This will encourage the investment activities from the companies. The profit margines are going to increse because the cost of production and cost of working capital would go down due to lower interest rates offered on the loans. Small industries being labour intensive and create job opportunities, would be given with the adequate credit at lower interest rates. This will encourage them for more and more investment activities and play active role in the growth of the economy.

Since last eight years there were frquent changes in the monetary policy tools and two major policy stance were followed by RBI. India has seen both contractionary and expansionary monetary policy in the short period of time. This study helps understan the repercussions of the monetary policy on the enterprise operations. A feed back from entreprenuers is taken to understand whether the monetary policy has an effect on Micro and Small enterprise and their decisions in the business. The study revealed that interest rates and credit availability influences the decisions in business and has an effect on enterprise operations. It is found that higher interest rates and insufficient credit availability during tight monetary policy has negative effect and hindres the growth of the enterprise. Lower interest rates and enough credit availability during expansionary monetary policy is considered to be conducive for the growth of these enterprises.

Objectives:

To studythe effect of higher interest rates on MSMEs due to monetary policy.
To study effect of inadequate credit availability on MSMEs due to monetary policy.

Need for the Study:

MSMEs are considered as backbone of Indian economical growth. This sector is also identified as creator of many employment opportunities. Growth and survival of these enterprises is very important as play a active role in industrialisation. It is believed that Government and RBI policies have an effect on these enterprises. There are two important monetary policy stance which we have come across in these last eight years. One is Contractionary and the other one is expansionary. Whether frequent changes in the key policy rates have disturbed the operations of small enterprises is the question. It is known that contractionary policy reduces the money supply and there will be rise in the interest rates in the economy. Like that an expansionary monetary policy will increse the money supply and lower interest rates would exist in the economy. Earlier researches conducted on effects of Monetary policy by various researchers reveales that contractionary monetary policy discourages investment activities and record poor numbers in terms of sales and profits. The effect is more in highly leveraged companies and the repayment capacity of loan will be affected during this period. Interest burden and high working capital costs make the companies difficult to survive. If we look at recent credit growth to this sector and number of NPAs reported from this sector, the figures are quite discouraging. Dharwad district claims a good rank in therm of industrialisation in Karnataka state. Hence there is need to understand what is actually happening in this sector in Dharwad district. This study helps us to understand whether Monetary policy has any effect on these enterprises. Feedback from the entreprenuers of these enterprises is taken to understand how the interest rates and credit disburrsals have affected.

Scope of the Study:

The study is on MSMEs located in dharwad district and which have been registered with the Distric Industrial Centre. Feedback form the entreprenuers of these enterprises is taken through a self admistered quessionnaire. The study is restricted to effect of interest rates and credit availability on various areas of MSMEs like investment, working capital, inventory, production, sales, capital structure, credit worthiness and performance. The study is restricted to only 40 MSMEs hence doesn't represent all industries of dharwad district.

Research Methodology:

The study is conducted to understand whether Monetary policy has affected the MSMEs located in Dharwad district. Survey is conducted and feddback is collected from the entreprenuers through a structured quessionnaire. MSMEs registered under DIC have been randomly selected for the study. The sample size was restricted to 40 MSMEs out of which 21 were Micro units, 18 were small and 1 was medium enterprise. Total 19 different product manufacturing enterprises were selected to understand the effect. The relability test achieved a satisfactory Chronbach Alfa of 0.95 which is very highly reliable one. The data is analysed using SPSS to draw out inferences.

Literature Review:

Robert E. Krainer (1966) found that new orders for machinary were inversly related to the interest rates. Lower interest rates were associated with high level of new orders for machinary. At the same time there were low level of new orders when interest rates were higher. He found that lower interest rates make the external funds easily available which influences the business people to raise capital.

Sherman J. Maisel (1968) found that Monetary policy changes influence the spending of selective units. Spending of the firm is influenced by price and availability of loan. Monetary policy influences interest rates which inturn influences the profitability of the investment. It is noticed that higher interest rates limit the ability to borrow which lead to contraction in investment.

James W. Christian and Warren F. Mazek (1969) found that the firms chose short term credit during tight money periods, if they are responsive to long term interest rates than to short term interest rates. As the small firms are more reliant on bank loans these firms are more sensitive and change their loan portfolio. It is also revealed that small firms are more able to get long term loan than short term loan from banks during tight money periods. Where in banks prefer to lend short term loans during the periods of tight money.

L M Bhole (1984) tried to identify whether there is any alternative for bank credit. When cost of funds from financial institutions and banks increase, firms tend to take more trade credit and give less trade credit. When availability of external funds becomes easy, they give more trade credit and take less trade credit. It was found that trade period depends on the rise in interest rates and credit availability froom banks. He concluded that Monetary policy variables can influence the volume of trade credit by influencing the length of the trade credit period.

Shankar Acharya and Srinivas Madhur (1984) examined that whether existance of informal credit market weaken the operation of monetary policy. The monetary policy has a significant effect on the interest rate in the informal credit market also. A contractionary credit policy raises interest rates in informal credit market and the expansionary policy decrease the interest rates in the informal credit market.

For sales, inventory and long term debt, Mark Gertler and Simon Gilchrist (1994) constructed time series of growth rates for small and large firms. When they studied relative growth rates of sales, it was found that after tight money policy, small firms decline sharply when compared to large firms. Small firms appered to reduce the stock and borrowings significantly. They found that credit flow to small firms reduces when compared with large firms after tifght money.

K. Krishnamurty and D. U. Sastry (1996) considered ten individual industries for analysis. During the study it is revealed that inventory output ratio over the period 1950-62 showed downward trend, which was due to increse in the cost of borrowing. The interest rate factor may have a insignificant influence on inventories if interest cost is going to be a small proportion of total cost of holding inventories.

Allen N. Berger and Gregory F. Udell (2002) examined the impact of monetary policy shocks to the banking system on the supply of credit to the small businesses. As small firms will not be having the access to capital markets, they will have to depend on banks and other financial institutions for external funding. Monetary tightening makes banks to reduce lending. Hence any monetary policy impact to the banking system will have substantial impact on credit supply to small businesses. This will have a significant impact on small businesses which depend on external funding. They also found that decline in credit worthiness due to monetary tightening make small businesses more difficult to obtain bank loans.

Gert Peersman and Frank Smets (2005) estimated the monetary policy effect on output in eleven manufacturing industries in seven europian countries. It is found that industries which are more capital intensive are expected to be more sensitive to changes in the interest rates. Firms with higher leverage are expected to face greater difficulty in obtatining funds due to policy changes.

Results of the study conducted by Saibal Ghosh and Saurabh Ghosh revealed that liquidity contraction lowers investment particularly in highly leveraged firms. Monetary policy measures, which affect market liquidity adversly, obstruct firm investments and the effect is more in small firms.

Saibal Ghosh (2008) made his statement that constrained banks tend to reduce their risky loan portfolio following upon monetary contraction. In response to the interest rate shock constrained banks increase credit disbursal to less risky borrowers and decrease credit disbursal to risky borrowers.

Saibal Ghosh (2009) found that expenditures on firm investments are sensitive to interest rates. Industries with higher interest cost in total production are expected to be affected with rise in interest rates. Industries which invest heavily are going to be impacted harshly with negative monetary shock. Industries which are already burdened with loans are expected to face greater difficulty in obtaining additional funds from the market.

Ashok Thampy (2010) found that availability of adequate amount of finance is a major concern for SMEs. Government has adapted sevaral policy measures to increase the flow of credit to SME sector. Earlier research highlighted that financial liberalisation improves external credit accessibility to SMEs which are financialy constrained. But author showed a concern that that it is too early to conclude that small firms in India are not financialy constrained.

Nwosa Ifeakachukwu, Oseni Olasunkanmi (2013) examined the impact of bank loans to MSME in Nigeria for the period from 1992 to 2010. It was observed that effect of bank loans to MSME sector on manufacturing output was insignificant. But it is understood that there is need to moderate the interest rates on loans which will enhance the performance of the MSME sector.

Mbugua Kamunge, Dr. Agnes Njeru, Ondabu Tirimba (2014) in their paper concluded that lack of access to long term credit for small firms forces them to depend on high cost short term finance. Enterprenuers depend on self financing or borrow from friends and relatives to run their business which will not enable them to function at best possible level. Finding finance for a start up is the biggest difficulty for enterprenuers in Kenya. Due to inadequate funds, small enterprises will not be able to expand, modernise their business and meet the orders in time.

Bawuah Bernard, Yakubu Awudu Sare, Alhassan Musah (2014) examined the interest rate effect on MSMEs and availability of funds in Ghana. Higher interest rates charged on borrowed loans has affected their business operation in the form of high production costs. The profit margins have significantly affected due to higher costs. It is also found that higher interest rates increase the probability of loan defaults. They believed that lower interest rates would help MSMEs to improve their business performance.

Mrityunjaya chavannavar and Dr. S. C. Patil (2015) in their paper concluded that frequent and unexpected changes in the key policy rates would have effect on lending and borrowing activity. Hike in the key policy rates leads to increase in the bank lending rate which results into low demand from the borrowers. Interest being very important factor, any ivestment activity in the firm will be based on the interest rate on loans. Higher interest rates lead to increase in the bad debts and further it can become NPA for the banks.

Mrityunjaya Chavannavar, Dr. S. C. Patil (2015) found in their study that when monetary policy with objective to achieve lower inflation and growth in economy, the interest rates had an effect on investment decisions of the industries. Low product demand due to higher interest rates and high production cost, majority of the industries were not able to operate at their fullest plant capacity. Industries preffered long term loans to short term loans during tight monetary policy.

Mishu Tripathi, Sourabh Tripathi and Rikin Dedhia (2016) in their paper highlighted on growth opportunities and challenges for MSMEs in India. What they found is easy and fast credit is the most critical growth driver of MSMEs. The MSMEs start with minimum capital and their growth stops at certain point due to lack of external credit availabilty. Inadequate credit at right time is also one of the reasons for MSMEs lower profit margins which hinders the growth of the enterprises.

Motiniva Nayak (2017) in his paper wrote that commercial banks play an important role in providing external financial assistance to MSMEs. They extend credit to meet the needs of short term and long term invesmenments of MSMEs. It is discussed that credit to MSME sector is decreasing both in terms of share of total credit and growth rate. Decline in credit is going to affect the growth of the sector. It is understood that large banks do not lend risky loans due to MSMEs risky profile. The reason for decline in credit disrbursal to MSMEs is that the loans are less profitable as they involve higher transaction costs and monitoring costs.

Bhushan Chandra Das, K.S.Chakraborty, Raveesh K selected 487 firms to conduct survey of firms in tripura in which only 237 units were working. Remaining units either reported as sick or closed. High rate of sickness and closure of units was observed in wood, jute, paper, tea and electrical products. Shortage of working capital funds and inadequate credit availability from banks and financial institutions were the reasons for sickness and closure of firms.

Anaysis & Observations:

Table 1: Holding back investments due to higher interest rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	5.0	5.0	5.0
	Disagree	5	12.5	12.5	17.5
	Neutral	1	2.5	2.5	20.0
	Agree	16	40.0	40.0	60.0
	Strongly Agree	16	40.0	40.0	100.0
	Total	40	100.0	100.0	

Table 2: Reduction in investment due to inadequate credit availability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	2.5	2.5	2.5
	Disagree	6	15.0	15.0	17.5
	Agree	16	40.0	40.0	57.5
	Strongly Agree	17	42.5	42.5	100.0
	Total	40	100.0	100.0	

Table 3: Effect of higher Interest rates on cost of Working Capital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strogly Disagree	1	2.5	2.5	2.5
	Agree	24	60.0	60.0	62.5
	Strongly Agree	15	37.5	37.5	100.0
	Total	40	100.0	100.0	

Table 4: Effect of higher Interest rates on liquidity position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	7.5	7.5	7.5
	Neutral	1	2.5	2.5	10.0
	Agree	26	65.0	65.0	75.0
	Strongly Agree	10	25.0	25.0	100.0
	Total	40	100.0	100.0	

Table 5: Effect of inadequate credit availability for working capital leads to raise money at higher interest rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	6	15.0	15.0	15.0
	Agree	18	45.0	45.0	60.0
	Strongly Agree	16	40.0	40.0	100.0
	Total	40	100.0	100.0	

Table 6: Inadequate credit availability effect on liquidity position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.5	2.5	2.5
	Neutral	4	10.0	10.0	12.5
	Agree	24	60.0	60.0	72.5
	Strongly Agree	11	27.5	27.5	100.0
	Total	40	100.0	100.0	

Table 7: Shedding of inventory due to higher interest rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	9	22.5	22.5	22.5
	Neutral	4	10.0	10.0	32.5
	Agree	15	37.5	37.5	70.0
	Strongly Agree	12	30.0	30.0	100.0
	Total	40	100.0	100.0	

Table 8: Dependancy on supplier credit due to higher interest rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	2.5	2.5	2.5
	Disagree	1	2.5	2.5	5.0
	Neutral	3	7.5	7.5	12.5
	Agree	26	65.0	65.0	77.5
	Strongly Agree	9	22.5	22.5	100.0
	Total	40	100.0	100.0	

Table 9: Effect on stock purchase due to inadequate credit availability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	15.0	15.0	15.0
	Neutral	4	10.0	10.0	25.0
	Agree	23	57.5	57.5	82.5
	Strongly Agree	7	17.5	17.5	100.0
	Total	40	100.0	100.0	

Table 10: Reliance on supplier credit during inadequate credit availability from bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	2.5	2.5	2.5
	Disagree	2	5.0	5.0	7.5
	Neutral	3	7.5	7.5	15.0
	Agree	24	60.0	60.0	75.0
	Strongly Agree	10	25.0	25.0	100.0
	Total	40	100.0	100.0	

Table 11: Higher interest rates effect on production cost

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.5	2.5	2.5
	Agree	23	57.5	57.5	60.0
	Strongly Agree	16	40.0	40.0	100.0
	Total	40	100.0	100.0	

Table 12: Effect on cost of production due to inadequate credit availability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.5	2.5	2.5
	Neutral	3	7.5	7.5	10.0
	Agree	23	57.5	57.5	67.5
	Strongly Agree	13	32.5	32.5	100.0
	Total	40	100.0	100.0	

Table 13: Effect of higher interest rates on demand for the products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	15.0	15.0	15.0
	Agree	20	50.0	50.0	65.0
	Strongly Agree	14	35.0	35.0	100.0
	Total	40	100.0	100.0	

Table 14: Loss in competitive edge in sales due to higher interest rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.5	2.5	2.5
	Neutral	2	5.0	5.0	7.5
	Agree	21	52.5	52.5	60.0
	Strongly Agree	16	40.0	40.0	100.0
	Total	40	100.0	100.0	

Table 15: Effect on demand for the products due to inadequate credit avaialbility

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	5	12.5	12.5	12.5
	Neutral	4	10.0	10.0	22.5
	Agree	24	60.0	60.0	82.5
	Strongly Agree	7	17.5	17.5	100.0
	Total	40	100.0	100.0	

Table 16: Loss in competitive edge in sales due to inadequate credit availability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.5	2.5	2.5
	Neutral	2	5.0	5.0	7.5
	Agree	22	55.0	55.0	62.5
	Strongly Agree	15	37.5	37.5	100.0
	Total	40	100.0	100.0	

Table 17: Influence of higher interest rates on type of loan borrowings

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	1	2.5	2.5	2.5
	Agree	23	57.5	57.5	60.0
	Strongly Agree	16	40.0	40.0	100.0
	Total	40	100.0	100.0	

Table 18: Effect of inadequate credit availability on loan portfolio

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.5	2.5	2.5
	Neutral	1	2.5	2.5	5.0
	Agree	29	72.5	72.5	77.5
	Strongly Agree	9	22.5	22.5	100.0
	Total	40	100.0	100.0	

Table 19: Effect on loan repayment capacity due to higher interest rates burden

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.5	2.5	2.5
	Neutral	1	2.5	2.5	5.0
	Agree	23	57.5	57.5	62.5
	Strongly Agree	15	37.5	37.5	100.0
	Total	40	100.0	100.0	

Table 20: Effect of higher interest rates on loan defaults

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	11	27.5	27.5	27.5
	Agree	27	67.5	67.5	95.0
	Neutral	2	5.0	5.0	100.0
	Total	40	100.0	100.0	

Table 21: Effect of inadequate short term credit availability on loan repayment capacity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.5	2.5	2.5
	Agree	25	62.5	62.5	65.0
	Strongly Agree	14	35.0	35.0	100.0
	Total	40	100.0	100.0	

Table 22: Effect of inadequate credit availability on loan defaults

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	13	32.5	32.5	32.5
	Agree	24	60.0	60.0	92.5
	Neutral	2	5.0	5.0	97.5
	Disagree	1	2.5	2.5	100.0
	Total	40	100.0	100.0	

Table 23: Effect of higher interest rates on profits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	1	2.5	2.5	2.5
	Agree	17	42.5	42.5	45.0
	Strongly Agree	22	55.0	55.0	100.0
	Total	40	100.0	100.0	

Table 24: Effect of inadequate credit availability on performance of the enterprise

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.5	2.5	2.5
	Neutral	1	2.5	2.5	5.0
	Agree	23	57.5	57.5	62.5
	Strongly Agree	15	37.5	37.5	100.0
	Total	40	100.0	100.0	

Findings:

80% of the entreprenuers agreed that higher interest rates hold them back from investing in plant and machinaries. 82.5% have agreed that their planned investments in projects got affected due to rise in the loan interest rates. 92.5% of the respondents said investment in plant and machinaries slows down due to inadequate credit availability. 65% of the respondents said their planned investments in onging projects got affected with insufficient credit availability.

97.5% of the respondents are of the opinion that cost of working capital goes up due to higher interest rates levied on loans. Liquidity position tightnes during higher interest rates period as per the opinion of 90% of the respondents. 85% said that cost of borrowings go up as they will be forced go for other sources of finance when there is insufficient availability of working capital loans. 87.5% of the respondents are of the view that inadequate credit availability tightens the liquidity position in the enterprise.

67.5% of the respondents accepted that the stock purchases will be reduced during higher interest rates. 75% of the respondents are of the view that enterprises will be forced reduce stock purchases due to inadequate credit availability from the banks.

87.5% of the respondents said they depend more on supplier credit due to higher interest rates charged on bank loans. 85% of the respondents are of the view that they depend on supplier credit due to insufficient credit availability from banks.

97.5% of the respondents said that enterprise production cost goes up due to higher interest rates burden.

85% of the respondents said enterprise sales decrease due to less demand for the products due to higher interest rates in the economy. 77.5% of the respondents are of the view that customers purchase less products due to tight credit from the banks. 92.5% of the respondents are of the view that higher interest rates on credit and insufficient credit from banks decrease their competitive edge over large players.

97.5% of the respondents said loan interest rates influence them towards type of loan they go for. 95% of the respondents said that inadequate credit availability from the banks lead to change in the loan portfolio of the enterprise.

95% of the respondents said that the loan repayment capacity decreases due higher interest rates burden and which can lead to increase in loan defaults.

97.5% of the respondents are of the view that higher interest costs lead to less profits and hinders growth of the enterprise. 95% of the respondents said that inadequate credit availability affects the performance of the enterprise and hinders growth.

Conclusion:

A contractionay monetary ploicy makes difficult for MSMEs to avail sufficient loan amount at cheaper interest rates. Money available with babks would contract and cost of loans would be high during this period. In the study it is observed that investment in plant and machinaries slow down due to inadequate loan availability and higher interest rates. Ongoing planned investments in projects also got affected with rise in interest rates and insufficient credit availability from banks. Working capital cost goes up when higher interest rates are levied on short term loans and enterprise is forced to go for borrowings from other sources at higher cost due to inadequate credit disbursals from banks. Enterprises reduce their stock level during higher interest rates and due to less credit availability.It is quite common that MSMEs depend on supplier credit due to inadequate funds availabity from bank and during higher interest rates.

Enterprise sales decrease due to less demand for the products when higher interest rates prevail in the economy and insufficient credit accessibility by customers. Higher interest rates on credit and insufficient credit from banks decrease MSMEs competitive edge over large players because it is easy for large companies to raise funds from various sources at cheaper cost.

Loan interest rates influence them towards type of loan they go for; it may be long term and short term loan or it may be from money lender, friends, in the form of supplier credit or from other financial institutions. Inadequate credit availability from the banks also lead to change in the loan portfolio of the enterprise.

Loan repayment capacity decreases due higher interest rates burden which inturn lead to increase in loan defaults. It sis understood in the study that higher interest costs on borrowed loan lead to less profits and hinders the growth of the enterprise. Inadequate credit availability also affects the performance of the enterprise and hinders growth. Hence less profits has an effect on investment activities of enterprises which depend on internal funding. A conducive environment for the growth of these MSMEs is required where adequate loan at lower interest rates from banks is accessible. Hence expansinary monetary policy is found to be favourable for MSMEs where adequate money is available in banking system to lend at cheaper interest costs.

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