

# ROLE OF NATIONALIZED BANKS IN THE GROWTH OF MSMEs

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**Abstract:** Current study aims to measure the role of nationalized banks in the growth of the MSMEs. Study was based on the primary data collected from the employees of nineteen nationalized banks of Haryana State. Researcher has served a self-developed questionnaire to a sample of fifty-seven employees who were working at the managerial position, or as loan officers in the nineteen nationalized banks in Haryana State. Researcher has used factor analysis and descriptive analysis for data analysis. It was found from the study that It can be concluded from the study that Each bank has its own criteria to take decision about disbursement of loans to MSMEs and therefore, the loan disbursement process to MSMEs by nationalized banks vary from bank to bank. There are total five major factors which defines the role or contribution of the nationalized banks towards the development of the MSMEs. These factors are mainly; Assistance provided, Loan disbursement process, customer services, Financial Literacy & customer education and Bank employees. It was found that the effectiveness score of the nationalized banks towards the development of the MSMEs is not equal. Not all the banks are effective on every factor, some banks are effective in one factor and less effective on another factor. It can be said that there is a significant difference in the effectiveness of the nationalized banks towards the development of the MSMEs.

**Keywords:** MSMEs, Economic growth, Nationalized banks, India, Haryana State, Bank Employees, and Financial Literacy.

**Introduction:** Banks are playing a crucial and prominent role in Indian economy. Growth of industries and trade and the banking sector go hand in hand. Banking sector are the core and central component of the Indian economy (Desai, 2000<sup>3</sup>). Growth of all other industries depends on the growth of banking sector. Banks promotes the regular flow of funds in the economy as they are vehicles for the money supply in the economy. They work as both the custodian and the source of the financial resources of the country. Hence, the role of the Indian banks is vital in the development of the Indian economy in terms of the Industrial development. The major function of the banks is to provide the loans to the various sectors of the economy for ensuring the sustainable growth of each sector and for providing the social security to the people. The role of banks in the industrial development is very important as banks provides various types of financing schemes to the industries. Financing facilities are available for start-up of business, marketing of products, for mass production, and also

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<sup>3</sup> Desai, V., 'Small scale industries and entrepreneurship'. India: Himalaya Publishing House, 2000.

for the purchase of the capital equipment. Thus, banks play an important role in the capital formation in the country. Banks provides various loans to agriculture and agro based industries to promote the growth of the primary sector. There are special banks set up by government for the growth of the medium and small scale industries in the nation such as; RRBs, NABARD, SIDBI and IFC etc. Other than this, the major role of the banks in economic development is to promote the regional balanced growth by extending the banking services to the various areas of the country so that the people can avail the loans and can grow in each and every corner of the country. Financial inclusion plan of the RBI is based on the principle of regional balanced growth of Indian economy. Total number of bank branches of scheduled commercial banks in villages started under financial inclusion plan was 598093, out of that 50860 branches started and 547233 banks are working as branchless outlets in villages. Total 46 million Kisan credit cards were distributed by banks, and saving account in the banks were recorded 254 million as on March 2017. The amount of loans disbursed by the banks to the exporters is 2488 billion rupees in the year 2017, while it was only 690 billion in 2006. Total deposits with the scheduled banks of India as on March 2017, was 118405 billion which comprises time deposit, and demand deposit, while the total credit or loans disbursed by banks stood at 80817 billion rupees as on march 2017. Gross credit to various industries by scheduled commercial banks was 26800 billion as on March 2017, and the highest credit was given to infrastructure sector (power, road, telecom and other infrastructure) followed by metal industries (steel and iron). Total loan amount disbursed by scheduled banks to the priority sector stood at 29301721 million rupees as on March 2017, out of that 12627344 million rupees were disbursed as loan to agriculture sector, 11312957 million to MSMEs sector, 649583 million to export sector, 628536 million to education sector, 3950440 million to housing sector, 23493 million to renewable energy, 22894 to social infrastructure, 7741834 million to the weaker section of the society. Scheduled banks have disbursed an amount of 388 billion INR under micro financing program to self-help groups, while the loan amount to micro financial institutions stood at 193 billion INR, as on March 2017.

The incentive for the bankers to advance loans to the MSME segment would undoubtedly come from relatively meagre return on their loans to the large industries (Subramanyam and Reddy, 2012<sup>4</sup>). Another reason for shifting banks loans from large corporate to MSMEs is the restriction on commercial banks to advance loans to single borrowers. Hence, banks are looking at MSMEs for the growth. This changing scenario can help the MSMEs in getting loans from the banks and growing at a higher speed. Commercial banks have realized the importance of MSMEs as the large industries are in process of automation of their processes which is going to reduce the employment in the country, and MSMEs are the only hope for the employment creation. Commercial banks have started providing flexible and timely loans to the MSMEs as per their needs and the various stages of their business, as timely support to these industries during its life cycle is the need of the hour. RBI has directed the commercial banks to review their existing policies, and adopt Standby Credit policy for the MSMEs for lending loans in case of immediate requirement. Commercial banks are changing their attitude towards the

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<sup>4</sup> Subramanian, G. V. and Nehru, S., 'Implementation of credit rating for SMEs (Small and Medium Enterprises) - How is beneficial to Indian SMEs?', International Journal of Scientific and Research Publication, 2 (4), 1-7, 2012.

distress of the MSMEs and providing loans for the rehabilitation or the revival of the MSMEs. Support to MSMEs in case of distress can actually help them in revival. Government has made a framework for the revival and Rehabilitation of MSMEs.

Reserve Bank of India has issued Master Guidelines in the year 2017 to all the commercial banks, related to the lending norms to MSMEs in India. As per these guidelines all the small and micro units are eligible to take a loan of up to five crores from the banks, while medium unit can avail a loan of up to ten crores from banks. All the industries under KVI sector are eligible for the bank loans, and will be covered under target of banks for priority sector lending. Loans can be availed by village or cottage industries and artisans directly or to the parties who are involved in the marketing of the outputs of these industries. Banks are issued guidelines for granting credit to MSMEs under various other credit schemes like Artisan Credit Card, Weaver's Card and Laghu Udyami Card etc. Commercial banks are also providing overdraft facilities to the MSMEs under Jan Dhan Yojana. All the commercial banks working in India has been assigned targets for priority sector lending which is 40 percent of the total bank credit after adjustments. This target is applicable on all the public, private and even on foreign banks also. While the domestic commercial banks were given a sub target as well, which is 7.5 percent of total bank credit after adjustments to micro industries. This sub target will be applicable on the foreign banks as well from the financial year 2018, specifically to those foreign banks whose branches are more than 20 in all over India. Further, the banks were recommended to achieve a growth rate of at-least 20 percent in the credit granted to MSMEs, and minimum 10 percent growth rate in the number of loan accounts of MSMEs.

In order to speed up the process of the lending to the MSMEs, all the commercial banks were directed to keep online and offline records of all the loan applications by MSMEs, and adopting a central registration process for all the loan applications. Commercial banks were directed to provide loans to MSMEs unit without any collateral security where the loan amount is up to ten lakh rupees. Further, the loan amount can be extended up to 25 lakh rupees, depending on the credit worthiness and track record of the MSME units. Commercial banks were directed to avail a loan of up to one crore for working capital to MSMEs through single window. RBI has revised the guidelines for general credit card schemes for the MSMEs in order to provide the facility to most of the people who want to avail the loans for other than agriculture activities. Ministry of MSMEs have introduced another scheme for the MSMEs, i.e. Credit Linked Capital Subsidy Scheme in order to upgrade the technology in MSMEs. RBI has also issued guidelines for the streamlining of the credit granted to the MSMEs so that during every stage of the business these units can avail the finance from banks. In 2015, RBI has issued the life cycle loan guidelines to the banks. Banks were advised to incorporate the changes in their exiting lending policies on the basis of the need of the MSMEs such as; extension of credit to MSMEs, loans in need of the additional working capital, review of the credit limit on the basis of change in demand or supply, and decisions for granting loans to be taken timely. RBI has issued the master circular on the debt restructuring of the MSMEs and all the commercial banks were directed to follow these rules, in order to give relief to the MSMEs. Commercial banks were advised to provide loans to the sick units, for rehabilitation or revival of the MSMEs and also the option to MSMEs for onetime settlement for NPAs. A special committee was set up to look after

all the matters related to the credit growth of banks related to MSMEs sector. A structured mechanism was formulated for the credit growth of banking sector to the MSME sector. As per the recommendation of this committee commercial banks are advised to follow a management information system for measuring the performance of banks related to the credit allocation to the priority sector lending, adoption of e-tracking system for all the loan applications from MSMEs, monitoring the disposal of each application, and displaying all the information on their websites.

In order to accelerate the growth of the MSMEs in the economy, banks have made special arrangements for the MSMEs. RBI has directed all the public banks to start one branch in each district which will serve only to MSMEs sector (Sajeevan, 2012<sup>5</sup>). Specialized branches will help in fulfilling the need of the MSMEs on time and adequately. Further, banks were advised to recruit expert personnel who can understand the needs of the MSMEs and can provide the best services to MSMEs. RBI has also set up empowered committees at its regional offices to support the MSME financing. The members of this committee would meet on regular basis, and would review the growth in MSME credit and also the revival and rehabilitation of sick or poor performers (Sharma and Basotia, 2001<sup>6</sup>). Under Banking Codes and Standards Board of India, a code for banks has been added where banks were advised to show commitment towards the MSMEs. Under this code banks were directed to follow the minimum standards while giving credit to MSMEs. Banks were directed to dispose of the loan application of up to five lakhs in fifteen days, loan application between 5 to 25 lakh within three weeks, above 25 lakhs within 45 days from the date of receipt of loan application.

RBI has issued guidelines from time to time to support the growth in credit granted to MSMEs, commercial banks have adopted the guidelines and are in process to reduce the loan grant time to minimum and also trying to make the loan process easy and less documented. All these shows that commercial banks are playing an important role in the growth of the MSMEs.

**Review of Literature:** Agarwal (1987) in his article the author studied the problems and concluded that Indian banking industry has failed in providing giving financial services to Small scale sector. He further said that banking organization should not be rigid in their perspective rather it should be flexible in their rules and work for develop SSI. Andy (2012) studied on financing Problems for SMEs. He concluded that the small-medium enterprises (SMEs) are the most vibrant sector of Indian economy. The author divided SMEs' financing difficulties into two aspects internal reasons and external reasons and said the problem of financing has become serious in the development of SME, there are various reasons which include the low-level management, poor organizational structure, low profitability, risky management and failure for repayment of loan incomplete support system of financing from institution for supporting SMEs. The author concluded that if the SMEs and financial institutions and government should work together, so that financing difficulties can be solved. The

<sup>5</sup> Sajeevan, G. 'Present study of MSME statistics' The Journal of Industrial Statistics, 1(2), 269-282, 2012.

<sup>6</sup> Sharma, K. K. and Basotia, G. R., 'Entrepreneurship and small business', Jaipur: Mangal Deep Publication, 2001.

author concluded by saying that measures should to be taken by banks so that SMEs sector should function in distinctive manner make huge contribution to the economic development and national prosperity. Bala subramaniam (2007) in his article entitled “the Expanding Role of SIDBI”, points out that the Public Sector Banks reassessed its lending strategy and brought innovation to leverage technology, revamp system and develop use more efficient credit assessment tools for faster credit dispensation. The author also said that public sector banks have been advised to open at least one specialized branch in each district to provide services to entrepreneurs. Basu (2007) discussed the function and problems of small scale industries. Emphasizing their importance in the economic programme of the nations, he deals at length with their financial problems and the functions of the State Financial Corporation in trying to help them. Chockalingam and Sundarraj (2007) in their article entitled “Trends in the Flow of Bank Credit to SSI Sector”, concluded that owner of SSI should submit the required information and compulsory documents in order to avoid unnecessary delay in processing of the loan sanction decisions. He also has put on emphasis on providing clear instructions to the small-scale entrepreneurs before and as well as at the time of submitting their application for availing loans from the banks. Chawla et al. (2004) in their research paper highlighted financing practices and problems of small and medium enterprises in Rwanda. In the study they identified the financial difficulty faced by the SMEs and suggested suitable procedures to beat them. The author covered 50 SMEs out of which 30 were small scale and 20 were medium scale enterprises engaged in manufacturing and service activities. In structured interviewed he found that 40 per cent of the enterprises were in partnership form of business organization were engaged in handicrafts business. 28 percent of the SMEs were found that they used a mix of owners’ equity and loan to finance their businesses and none of the businesses was run only by loan from banks. Further, he found that 43 per cent of the respondents had to wait for more than 5 months for processing the loan. The study also revealed that interest rates charged by the bank were also high as 75 per cent of the SME entrepreneurs were not satisfied. Hence, it was suggested that banks should reduce loan formalities and interest rates charged for financing SMEs, and also said that government should create Special Guarantee Fund for financing SMEs. Das (2007) the author concluded that the quality of information influences decisions on loan finance. The author suggested banks that complete information of small firms should be there, when complete information is not available banks are reluctant to give loans. The quality of financial information should be given for smooth flow of funds to the SME. Dinesh Rai (2009) in his article entitled “MSME Reviewed the Performance of Various Schemes of KVIC”, concluded that banks should have transparency in their system and managers of branches should be aware about schemes and guidelines and policies which MSME borrowers avail and through which they can be encouraged. Fatima Veghlo (2009) in his article the author interviewed representatives from the banks. The study concluded that banks are employing fairness in their strategy and encouraged employees to engage in relational interaction with their SME customers and as a result which generated higher customer satisfaction. He also pointed out that the importance for banks to treat their SME customers in an adaptable and fair manner.

**Objective:** The study aims to measure the contribution of nationalized banks in the growth of the MSMEs.

### Research Methodology:

Researcher has collected data from branches of nineteen nationalized banks from Haryana State, with a purpose to know the contribution of these banks in the development of MSMEs. Researcher has served a self-developed questionnaire to a sample of fifty-seven employees who were working at the managerial position, or as loan officers in the nineteen nationalized banks in Haryana State. In the current study the questionnaires were get filled by the bank employees hence the respondents of the study were bank employees working at the managerial position only. Due to the nature of the study it was appropriate to record the opinions of the managerial level employees only, as they have direct contacts with the MSMEs and have better knowledge about the loan disbursement process, factors considered for disbursement of loans to MSMEs and how banks are contributing to the development of MSMEs. In this study, total 57 respondents from nineteen nationalized banks have been surveyed from the branches of Haryana State. Out of 57 respondents, nineteen employees were working as branch manager, nineteen respondents were working as assistant managers and rest of the nineteen respondents were working either on the post of deputy manager or loan officer in the nationalized banks. Hence an equal proportion of the respondents have been taken from each of the nineteen nationalized banks. Researcher has used factor analysis and descriptive analysis for the analysis of the primary data. Data collected through primary survey has been analysed using SPSS 20.0 and MS Excel.

### Analysis and Discussions:

Table 1 shows the reliability of the questionnaire using Cronbach Alpha. Reliability is a measure of internal consistency of the responses collected through questionnaire. It is the first step to ensure that the data collected is reliable and can be used for any test or further analysis.

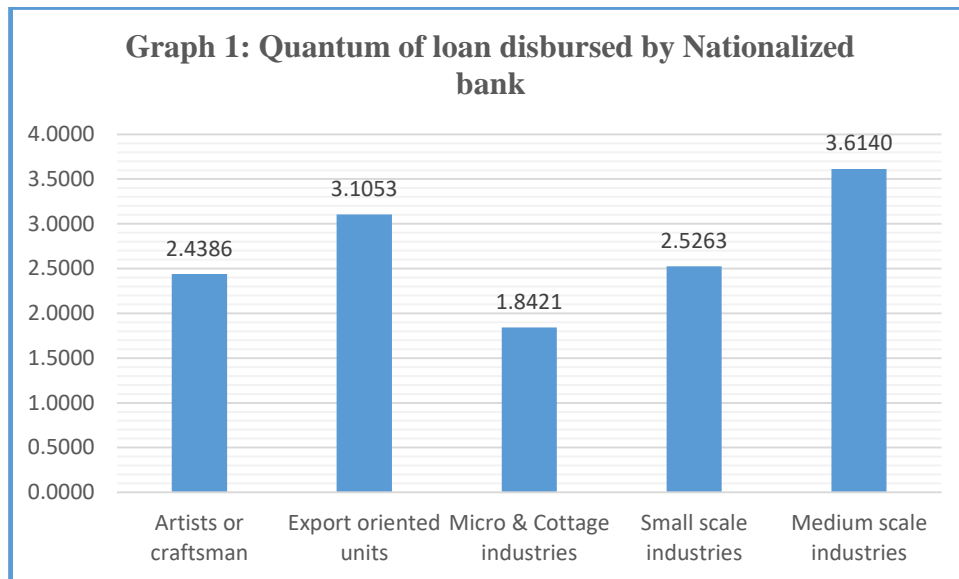
Table 1: Results of Reliability Analysis

Description	Alpha value	Number of statements	Number of Respondents	Remarks
Questionnaire for banks	.881	63	57	Good (0.80 < Alpha > 0.90)

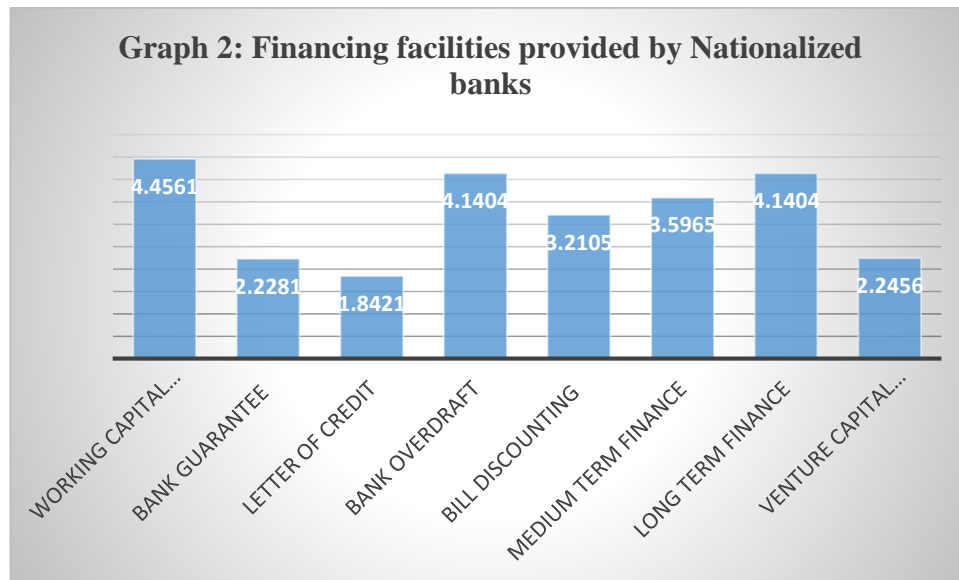
**Interpretation:** It can be interpreted from the results of reliability analysis that the value of Alpha was found to be 0.881, which is more than 0.70 and below 0.90, hence it is categorized as good value and indicates that the questionnaire is reliable. There is a consistency in the responses of the bankers who participated in the survey. Hence, this questionnaire has been used for further analysis and hypothesis testing in the current study.

## DESCRIPTIVE ANALYSIS

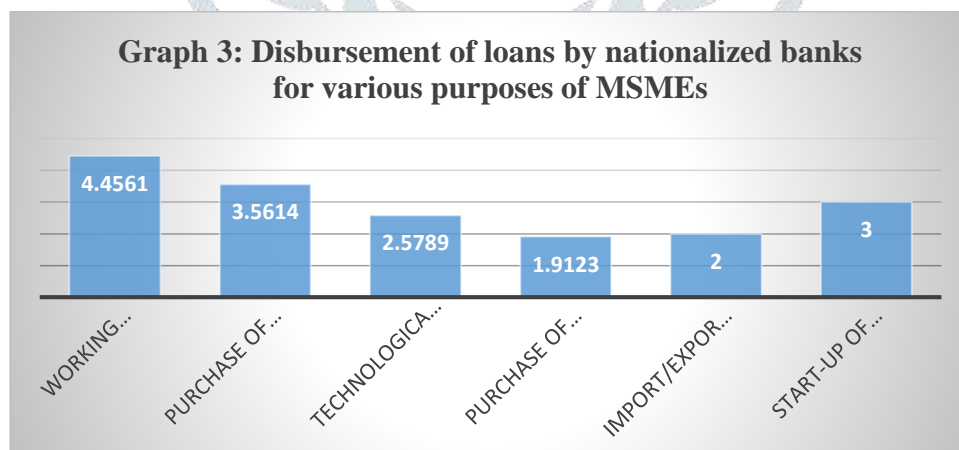
This section includes the descriptive analysis of the opinions of the bankers collected through questionnaire, related to the type of borrowers whom they provide loans, mode of financing and the purpose of MSMEs for availing loans from the banks. Researcher has used graphical form for easy representation of the data.



**Interpretation:** Graph 1 shows the quantum of loans provided by nationalized banks to the different type of borrowers from MSME sector. It was found that the highest mean value is of medium scale industries, followed by export oriented units and lowest mean value is of micro and cottage industries. It indicates that the nationalized banks have disbursed higher amount of loans to the medium scale industries while the micro and cottage industries have been disbursed the lowest amount of loans by nationalized banks. The reasons for disbursement of low amount of loans to micro and cottage industries is the lack of awareness on the part of borrowers, and the credit worthiness of the borrowers which creates a problem when they apply for the loans from nationalized banks. Medium scale industries operate their business at large scale, and the documentation process do not create a big problem for these industries while applying for loan from banks, moreover most of the medium scale industries get their credit ratings on regular basis which is helpful in availing loans from the banks. The quantum of loans disbursed by nationalized banks to the small scale industries and artisans & craftsman is moderate.



**Interpretation:** Graph 2 shows the mean value of extent up to which nationalized banks are providing various types of financing facilities to the MSMEs. It was found that the highest mean value is of working capital finance, followed by long term financing and bank overdraft facilities and lowest mean value is of letter of credit. It indicates that the nationalized banks have provided working capital financing to the MSMEs while the letter of credit facilities provided by nationalized banks is lowest in comparison to all the financing facilities. While the level of financing provided by nationalized banks to the MSMEs for medium term finance and for bill discounting is moderate. Working capital loan is provided by banks against the inventory level hence the risk of the banks is less in providing working capital finance to the MSMEs, this is the main reason that the mean value of the working capital finance is higher while the letter of credit is a short term instrument which is available only to the high credit worthy companies, and majority of the MSMEs are not having much credit worthiness and hence, the mean value of the financing through letter of credit is lowest.



**Interpretation:** Graph 3 shows the extent of financing provided by nationalized banks to the MSMEs for different purposes. It was found that the highest mean value is of working capital finance, followed by purchase of machinery and equipment and lowest mean value is of purchase of raw material in bulk. It indicates that the nationalized banks have disbursed higher amount of loans to the MSMEs to fulfil their working capital requirement and loans for investment in the capital goods of MSMEs while nationalized banks have been disbursed the lowest amount of loans to MSMEs for the purchase of raw material in bulk. The reasons for disbursement of low amount of loans to MSMEs for the purchase of raw material in bulk is the fear of getting



stuck of capital in the form of inventory, and in dynamic business environment where the competition is high buying raw material in bulk may prove a disadvantage to MSMEs. Similarly; the change in preferences and attitude of the customers lead to change in production process, or raw material to produce the products which customers' demands for and hence, the amount given by banks for purchase of raw material in bulk may get lost. Thus, from risk perspective, banks do not provide higher loans to the MSMEs for this purpose.

### ROLE OF NATIONALIZED BANKS IN THE DEVELOPMENT OF MSMEs

This section explains the role of nationalized banks in the development of the MSMEs. Researcher has taken total 27 statements or variables which represent the different aspects or the dimensions in which nationalized banks can contribute in the development of the MSMEs. Effectiveness of all the nineteen nationalized banks have been measured using a five-point scale ranges from very effective to less effective. Researcher has used factor analysis to extract the major factors out of 27 statements used to measure the role of nationalized banks in the development of MSMEs. Results of the Factor Analysis are given below:

Table 2: KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.744
Bartlett's Test of Sphericity	Approx. Chi-Square	2265.244
	Df	351
	Sig.	.000

**Interpretation:** Table 2 shows the results of the KMO test used to know the adequacy of the data and the sample size for applying factor analysis. The value of KMO test was 0.744, which shows that the data is adequate for applying factor analysis and the number of variables are adequate along with the sample size. Similarly; the value of Bartlett's test was found to be significant as the value of chi square was 2265.244 (p-value = 0.000), which shows that the variance in the sample used for factor analysis is unequal. This test is used to measure the homogeneity of the variances in the sample before applying the factor analysis or to measure the normality of the data. Hence, it can be said that the data is adequate and normal for applying any test.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.252	37.972	37.972	10.252	37.972	37.972	7.845	29.055	29.055
2	5.763	21.345	59.317	5.763	21.345	59.317	6.825	25.279	54.334
3	3.598	13.326	72.643	3.598	13.326	72.643	3.710	13.740	68.074
4	2.677	9.916	82.559	2.677	9.916	82.559	2.984	11.052	79.126
5	1.966	7.280	89.840	1.966	7.280	89.840	2.893	10.714	89.840

**Interpretation:** Table 3 shows the factors extracted, along with the Eigen values and the explained variances. Out of 27 variables only five variables for which the Eigen values was found to be above one were only five and hence total five factors have been extracted using Varimax rotation under PCA method. It was found that total variance explained by five factors was 89.840 percent. It shows that there are total five factors which can cause variation in the effectiveness score of the nationalized banks towards the development of MSMEs. Out of which the first factor explains total 29 percent variation in the effectiveness, second factor explains 25 percent variation, third factor explains 13 percent variation, fourth factor explains 11 percent variation and last factor explains 10 percent variation in the effectiveness score while rest of the 11 percent variation is unexplained or due to the other reasons or chance factors.

**Table 4: Factor Loadings**

S. No.	Description	Factor Loadings
<b>Factor 1: Assistance Provided by banks</b>		
1	Loans for technological development of MSMEs	.927
2	Loans for venture project to promote entrepreneurship	.914
3	Factoring services to export and import related business	.909
4	Assistance in preparing project feasibility report	.908
5	Waiver of interest on loans to MSMEs	.907
6	Assistance in credit rating of MSMEs	.906
7	Assistance provided for rehabilitation or sick units	.902
8	Loans for commercial Marketing of the products of MSMEs	.902
9	Assistance in termination or dissolution of the firms	.895
<b>Factor 2: Loan Disbursement Process</b>		
1	Appropriate notice period before auction of collateral of borrowers	.933
2	Subsidized interest rates on loans to MSMEs	.929
3	Timely processing and disbursement of loan to MSMEs	.921
4	Online loan services to MSMEs	.899
5	Grace period given by bank for repayment of loan	.899
6	Assessing the environmental impact of MSMEs while sanctioning loan	.892
7	Transparency in the loan disbursement process	.885
8	Effectiveness of risk management techniques to evaluate the MSMEs projects	.880
<b>Factor 3: Financial Literacy and Customer Education</b>		
1	Banking correspondents facilities in rural areas for supporting rural industries	.931

2	Efforts for setting up financial literacy centre in rural or remote areas	.929
3	Effectiveness of Programs for financial literacy of MSMEs	.914
4	Campaigns for customer education towards banking facilities and new banking products	.912
<b>Factor 4: Customer Services</b>		
1	Effectiveness of customer grievance cell or complaints redressal mechanism followed by your bank	.973
2	Help desk for loan application in bank	.970
3	Effectiveness of communication with the borrower related to loan application, schedule of loan payment and interest payment	.950
<b>Factor 5: Bank Employees</b>		
1	Assistance provided by bank officers for filing loan applications by illiterate borrowers	.972
2	Knowledge and skills of the loan officers	.967
3	Behaviour of loan officers with borrowers	.955

**Interpretation:** Table 4 shows the factor loading after applying Varimax Rotation method. Total five factors extracted and the variables with 0.40 factor loading were found to be successfully loaded on a particular factor. The first factor comprises total nine statements, all the statements are related to the various types of assistance provided by nationalized banks to the MSMEs and hence the name was given to this factor is Assistance Provided by Banks. The first factor showed that how nationalized banks are providing a variety of assistances to MSMEs for their growth and development. Second factor comprises total eight statements related to the process of the loan disbursement and hence the name was given Loan disbursement process to this factor. The easier and simplified the loan disbursement process can help in availing the loan by MSMEs from banks and can solve most of the problem of the MSMEs. Third factor comprises four statements related to the financial literacy and customer education and hence it is called Financial Literacy and Customer Education. Nationalized banks work to enhance the customer awareness about the new banking products and the benefits of using banking finance and also conduct financial literacy programs for the MSMEs so that the loan disbursed to MSMEs can be increased and can contribute in the development of the MSMEs. Another important factor is customer services, if the banks provide better customer services to the MSMEs then they will get attracted towards the banks for getting finance and many of the doubts related to documents, hidden charges or the loan process may get resolved only by better customer services. Last but the important factor is the employees of the banks, the knowledge, skills and behaviour of the employees towards the borrowers, which plays a significant role in the relation between banks and the MSMEs. Friendly behaviour of employees with the knowledge and skills can help in attracting MSMEs to borrow funds from banks and can help in development of MSMEs.

**Conclusion:**

It can be concluded from the study that Each bank has its own criteria to take decision about disbursement of loans to MSMEs and therefore, the loan disbursement process to MSMEs by nationalized banks vary from bank to bank. There are total five major factors which defines the role or contribution of the nationalized banks towards the development of the MSMEs. These factors are mainly; Assistance provided, Loan disbursement process, customer services, Financial Literacy & customer education and Bank employees. It was found that the effectiveness score of the nationalized banks towards the development of the MSMEs is not equal. Not all the banks are effective on every factor, some banks are effective in one factor and less effective on another factor. It can be said that there is a significant difference in the effectiveness of the nationalized banks towards the development of the MSMEs. Hence, overall it can be said that the nationalized banks are moderately effective in solving financing problems of the MSMEs and the overall contribution of nationalized banks to the growth of MSMEs is moderate and there is a huge scope for the improvement from the bank's part.

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