

## Research Paper



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## SATISFACTION OF MICRO ENTREPRENEURS TOWARDS THE SERVICES OF THE PUBLIC SECTOR BANKS

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### ABSTRACT

**B**anks were considered as a backbone to the financial system and play an important role in economic development of a nation. They act as intermediaries in channelizing funds from surplus units to deficit units to the fully utilization of the funds. An efficient banking system of nations has significant positive externalities which increase the efficiency of economic transaction in general. The main objectives of the study is to study the satisfaction of micro entrepreneurs towards the services of public sector banks in Tirunelveli district, the steps taken by the public sector banks to sustain micro entrepreneurs and to identify the relationship between the steps taken by the banks to sustain micro entrepreneurs and the satisfaction towards the services of public sector banks. Primary data for the study collected from the micro entrepreneurs with the help of interview schedule. The sample respondents are the micro entrepreneurs who borrowed from public sector banks in Tirunelveli district. The researcher applied the formula to decide the sample size at 95 per cent confidence level. The sample size calculated using the formula was 612. Hence, the data required for the study was collected from 612 micro entrepreneurs in Tirunelveli district.

**KEYWORDS:** *Micro Entrepreneurs, Public sector banks and Satisfaction*

### INTRODUCTION

Generally, a 'Financial institution' is established mainly to provide longterm capital for Industries and agriculture. These financial Institutions play an important role in the development of entrepreneurship. Banks were considered as a backbone to the financial system and play an important role in economic development of a nation. They act as intermediaries in channelizing funds from surplus units to deficit units to the fully utilization of the funds. An efficient banking system of nations has significant positive externalities which increase the efficiency of economic transaction in general. There is a major shift in banking system in the policy atmosphere after the introduction of financial sector reform in 1992; these reforms impact the working of public sector banks. As one of the objectives of financial sector reform was to improve the efficiency of banking system in India economy.

### STATEMENT OF THE PROBLEM

Micro enterprises are one of the fastest growing industrial sectors in the world economy. Despite the increase

in financing to the MSME sector there is still a considerable credit gap which needs to be bridged. In this study the researcher made an attempt to study the level of satisfaction of the customers of the public sector banks and the steps to be taken to sustain the micro entrepreneurs.

### OBJECTIVES OF THE STUDY

The study has the following objectives.

- (i) To assess the satisfaction of micro entrepreneurs towards the services of public sector banks in Tirunelveli district.
- (ii) To examine the steps taken by the public sector banks to sustain micro entrepreneurs in Tirunelveli district.
- (iii) To analyse the relationship between the steps taken by the banks to sustain micro entrepreneurs and the satisfaction towards the services of public sector banks.

### METHODOLOGY

The research is descriptive in nature. The data required for this study is collected through primary data. The



required primary data for the study has been collected from the micro entrepreneurs who have bank accounts in the public sector banks.

### Sampling

The respondents taken for the study are the micro entrepreneurs who are having bank account from public sector banks in Tirunelveli district. The researcher applied the formula to decide the sample size at 95 per cent confidence level. The sample size calculated using the formula was 612. Stratified sampling method was used to categorize the population into

urban, semi-urban and rural and the sample respondents selected from urban, semi-urban and rural areas are 245, 214 and 153 respectively.

### SATISFACTION TOWARDS BANKING SERVICES

In order to find out the significant difference in satisfaction of the micro entrepreneurs towards banking services of different region, 'ANOVA' test is used with the null hypothesis as, "There is no significant difference among the respondents regarding the satisfaction towards the banking services in Tirunelveli district". The result of 'ANOVA' test is presented in Table 1.

**Table 1 Satisfaction of the Micro Entrepreneurs towards the Banking Services**

Services	Region			F Statistics
	Urban	Semi-urban	Rural	
Prompt service	3.8531	3.7885	3.6418	<b>3.340*</b>
Response of phone	3.7224	3.6589	3.6144	1.291
Innovation service	3.7336	3.7042	3.5797	1.017
Grouping of service	3.8879	3.8571	3.6366	1.221
Features of service	3.9542	3.8925	<b>3.8032</b>	1.092
Flexibility in service	3.9167	3.8020	3.7265	1.276
Quick processing	<b>4.0367</b>	<b>3.9804</b>	3.7439	<b>3.382*</b>

Source: Primary data \*Significant at five per cent level

From the Table 1, it is understood that 'quick processing' is the important bank service provided by the public sector banks which provide satisfaction among the urban and semi-urban micro entrepreneurs since their mean scores are 4.0367 and 3.9804 respectively. Among the rural micro entrepreneurs 'features of service' provided by the public sector banks is considered as the important service which gives satisfaction to them since their mean score is 3.8032. Regarding the satisfaction towards the banking services, significant difference exists as regards 'prompt service' and 'quick processing' since their 'F' statistics are statistically significant at 5 per cent level.

### SATISFACTION TOWARDS LOAN AND INTEREST

In order to find out the significant difference in satisfaction of the micro entrepreneurs as regards loan and interest charged by the public sector banks in different region, 'ANOVA' test is used with the null hypothesis as, "There is no significant difference among the respondents regarding the satisfaction towards the loan and interest of public sector banks in Tirunelveli district". The result of 'ANOVA' test is presented in Table 2.

**Table 2 Satisfaction of the Micro Entrepreneurs towards the Loan and Interest**

Loan and Interest	Region			F Statistics
	Urban	Semi-urban	Rural	
Easy credit facility	4.0204	3.9868	3.9139	1.220
Loan flexibility	3.9592	3.9299	3.8693	0.726
Interest charged for loan	3.6863	3.6367	3.4981	1.264
Competitive interest rate	3.9608	3.8000	3.6664	<b>3.023*</b>
Time taken for loan disbursement	<b>4.2810</b>	<b>4.1347</b>	3.9748	<b>3.727*</b>
Transparency in interest calculations	3.9766	3.9306	3.6693	<b>2.586*</b>
Variation in repayment period of loan	4.1699	4.1121	<b>3.9776</b>	0.985
Loan amount received	3.7918	3.7617	3.6536	1.169
Loan formalities	3.6275	3.5878	3.5000	1.052
Comfortable loan security	3.6490	3.6013	3.5327	0.959

Source: Primary data \*Significant at five per cent level

From the above Table 2, it is understood that 'time taken for loan disbursement' is the important aspect which provide satisfaction as regards loan and interest charged among the urban and semi-urban micro entrepreneurs since their mean scores are 4.2810 and 4.1347 respectively. 'Variation in repayment period of loan' is the important aspect which gives satisfaction towards loan and interest charged among the rural micro entrepreneurs as its mean score is 3.9776. Regarding the satisfaction towards loan and interest, significant difference exists as regards 'competitive interest rate', 'time taken for loan disbursement' and 'transparency in interest

calculations' since their 'F' statistics are statistically significant at 5 per cent level.

### SATISFACTION TOWARDS BANKING FACILITIES

In order to find out the significant difference in satisfaction of the micro entrepreneurs towards banking facilities of public sector banks in different region, 'ANOVA' test is used with the null hypothesis as, "There is no significant difference among the respondents regarding the satisfaction towards the banking facilities of public sector banks in Tirunelveli district". The result of 'ANOVA' test is presented in Table 3.

**Table 3 Satisfaction of Micro Entrepreneurs towards Banking Facilities**

Banking facilities	Region			F Statistics
	Urban	Semi-urban	Rural	
Physical setting	3.5837	3.4860	3.4379	0.969
Information network	<b>3.9085</b>	<b>3.8832</b>	3.6510	<b>2.594*</b>
Network of branches	3.8612	3.8019	<b>3.7196</b>	1.253
Technology	3.7102	3.6830	3.4144	<b>2.472*</b>
Security arrangement	3.8327	3.8178	3.6582	1.308

Source: Primary data \*Significant at five per cent level

From Table 3, it is understood that 'information network' is the important banking facilities which provide satisfaction among the urban and semi-urban micro entrepreneurs as their mean scores are 3.9085 and 3.8832 respectively. 'Network of branches' is the important banking facilities which provide satisfaction among the rural entrepreneurs as its mean score is 3.7196. Regarding the satisfaction towards banking facilities significant difference exists regarding the banking facilities 'information network' and 'technology' since their F statistics are statistically significant at 5 per cent level.

### Relationship between Different aspects which Provides Satisfaction and Profile Variables of the Respondents:-

In order to find out the relationship between the services of the public sector banks and profile of the respondents, the null hypothesis is framed as, "There is no significant relationship between the services of the public sector banks and the profile of the respondents". The result is given in the Table 4.

**Table 4 Relationship between Different aspects which Provides Satisfaction and Profile Variables of the Respondents**

Profile Variables	Different aspects which Provides Satisfaction (F Statistics)		
	Banking services	Loan and interest	Banking facilities
Gender	1.949	<b>2.955*</b>	<b>2.565*</b>
Age	<b>2.985*</b>	1.243	<b>3.494*</b>
Educational status	<b>3.538*</b>	1.099	<b>2.701*</b>
Area of living	1.470	<b>2.639*</b>	1.223
Religion	1.602	1.368	1.548
Community	1.493	1.041	1.549
Marital status	1.710	<b>2.520*</b>	1.785
Nature of family	1.091	1.176	1.104
Size of family	1.561	1.180	1.643

Source: Primary data \*Significant at five per cent level

It is understood from Table 4 that there is a significant relationship between the banking services which provides satisfaction and profile of the respondents namely age and educational status since their F statistics are significant at 5 per cent level.

As regards loan and interest which provides satisfaction and profile of the respondents namely gender, area of living and marital status there is a significant relationship since their F statistics are significant at 5 per cent level.

In respect of banking facilities the highly associating profile variables are gender, age and educational status since their F statistics are significant at 5 per cent level.

### Steps taken by the Public Sector banks to sustain Micro Entrepreneurs:-

In order to find out the significant difference in the steps taken by the banks to sustain micro entrepreneurs, 'ANOVA' test is used with the null hypothesis as, "There is no significant difference among the respondents regarding the steps taken by the banks to sustain micro entrepreneurs in Tirunelveli district". The result of 'ANOVA' test is presented in Table 5.

**Table 5 Steps taken by the Public Sector banks to Sustain Micro Entrepreneurs**

Steps taken by the banks to Sustain Micro Entrepreneurs	Mean scores			F Statistics
	Urban	Semi-urban	Rural	
Convenient location	3.8235	3.7673	3.6542	<b>3.180*</b>
Wide range of products and services	3.8939	3.8235	3.7142	0.589
Good behaviour of bank staff	3.7255	3.7103	3.6490	0.817
Efficient and speedy service	3.7617	3.7255	3.6816	0.793
Transparent and fair dealings	4.0261	3.9510	3.8925	1.499
Best interest rates on deposits	4.0000	3.9551	3.8738	1.513
Low interest rates on loans	<b>4.1308</b>	<b>4.0654</b>	<b>3.9408</b>	0.928
Reasonable service charges	3.8366	3.7237	3.7430	0.829
Use of technology	3.7850	3.7320	3.6796	0.279
Proper sitting facilities for waiting inside the bank	3.8692	3.8390	3.5712	<b>2.975*</b>
Prompt service by employees	3.8449	3.7944	3.7516	0.846
Employees understand the needs of customers	3.8816	3.8627	3.8364	0.218
Innovativeness in introducing new schemes	4.0000	3.9714	3.9150	0.547
Visually appealing service materials such as pamphlets, statements, posters, banners, etc.	3.9477	3.8531	3.8271	1.314
Employees give individual attention to customers	3.9277	3.8980	3.8017	1.497

Source: Primary data \*Significant at five per cent level

From Table 5, it is understood that 'low interest rates on loans' is the important steps taken by the public sector banks to sustain micro entrepreneurs among the urban, semi-urban and rural micro entrepreneurs as their mean scores are 4.1308, 4.0654 and 3.9408 respectively. Regarding the steps taken by the public sector banks to sustain micro entrepreneurs, 'convenient location' and 'proper sitting facilities for waiting inside the bank' are statistically significant at 5 per cent level.

### Relationship between the steps taken by the banks to sustain micro entrepreneurs and the different aspects which provide satisfaction towards the services of the public sector banks:-

In order to find out the relationship between the steps taken by the banks to sustain micro entrepreneurs and the different aspects which provide satisfaction towards the services of the public sector banks namely banking services, loan and interest and banking facilities, correlation analysis is attempted with the hypothesis as, 'There is no relationship between the steps taken by the banks to sustain micro entrepreneurs and the different aspects which provide satisfaction towards the services of public sector banks'. The results are presented below.

**Table 6 Relationship between the steps taken by the banks to sustain micro entrepreneurs and the different aspects which provide satisfaction towards the services of the public sector banks**

Steps taken by the banks to sustain micro entrepreneurs	Different aspects which provide satisfaction		
	Banking services	Loan and interest	Banking facilities
Convenient location	0.193**	0.120**	0.209**
Wide range of products and services	0.168**	0.008	0.171**
Good behaviour of bank staff	0.107**	0.038	0.548**
Efficient and speedy service	0.189**	0.168**	0.096*
Transparent and fair dealings	0.255**	0.285**	0.043
Best interest rates on deposits	0.251**	0.220**	0.133**
Low interest rates on loans	0.129**	0.215**	0.089*
Reasonable service charges	0.178**	0.070	0.185**
Use of technology	0.186**	0.110**	0.123**
Proper sitting facilities for waiting inside the bank	0.181**	0.055	0.215**
Prompt service by employees	0.229**	0.368**	0.168**
Employees understand the needs of customers	0.187**	0.576**	0.195**
Innovativeness in introducing new schemes	0.207**	0.187**	0.193**
Visually appealing service materials such as pamphlets, statements, posters, banners, etc.	0.246**	0.310**	0.189**
Employees give individual attention to customers	0.228**	0.230**	0.061

Source: Primary Data

\*\*Correlation is significant at the 0.01 per cent level (2-tailed)

\*Correlation is significant at the 0.05 per cent level (2-tailed)

Table 6 shows that there is a significant relationship between satisfaction on banking services and steps taken by the public sector banks to sustain micro entrepreneurs namely convenient location, wide range of products and services, good behaviour of bank staff, efficient and speedy service, transparent and fair dealings, best interest rates on deposits, low interest rates on loans, reasonable service charges, use of technology, proper sitting facilities for waiting inside the bank, prompt service by employees, employees understand the needs of customers, innovativeness in introducing new schemes, visually appealing service materials such as pamphlets, statements, posters, banners, etc and employees give individual attention to customers.

Table further shows that there is a significant relationship between satisfaction on loan and interest and steps taken by the public sector banks to sustain micro entrepreneurs namely convenient location, efficient and speedy service, transparent and fair dealings, best interest rates on deposits, low interest rates on loans, use of technology, prompt service by employees, employees understand the needs of customers, innovativeness in introducing new schemes, visually appealing service materials such as pamphlets, statements, posters, banners, etc and employees give individual attention to customers.

It is found from Table 6 that there is a significant relationship between satisfaction on banking facilities and steps taken by the public sector banks to sustain micro entrepreneurs namely convenient location, wide range of products and services, good behaviour of bank staff, efficient and speedy service, best interest rates on deposits, low interest rates on loans, reasonable service charges, use of technology, proper sitting facilities for waiting inside the bank, prompt service by employees, employees understand the needs of customers, innovativeness in introducing new schemes and visually appealing service materials such as pamphlets, statements, posters, banners, etc.

### SUGGESTIONS

- Special cells may be opened for providing easy finance to micro entrepreneurs in various public financial institutions and banks. Efforts should be made to provide finance at the local level.
- A constant follow-up and liberal financial support may be provided to micro entrepreneurs for initiating their talent and for the smooth functioning of the units.

- The schemes of assistance like NEEDS are available only to newly identified and emerging entrepreneurs and not to the existing entrepreneurs. Hence there is a dire need to capture the potential of existing entrepreneurs who started on their own but struggle to survive with some specific schemes relaxing the criteria for such assistance.
- Since the formal sector assistance to the sample entrepreneurs has been a dream, it is necessary that the banks extend 'need based' finance to micro entrepreneurs without insisting on collateral but taking the past performance of the enterprise.

### CONCLUSION

There are many loan schemes in public sector banks but from the study it was observed that most of the enterprises are not aware about different loan schemes in public sector banks. The lack of awareness about finance schemes shows that enterprises do not understand how they can benefit out of them. In micro enterprises, Most of the borrowers are first generation entrepreneurs don't have business experience and own contribution towards project or business. Weak business plan results in the rejection of business proposal by banks. Unavailability of credit history acts as barrier in financing to micro enterprises. The majority of problems due to which banks do not finance are due to lack of collateral, poor financial statement, no past experience, risky project, lack of infrastructure etc., in Tirunelveli District.

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