

Research Paper



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A STUDY ON THE ROLE OF PUBLIC SECTOR BANKS TO SUSTAIN MICRO ENTREPRENEURS IN TIRUNELVELI DISTRICT

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ABSTRACT

The researcher has undertaken the study of micro business entrepreneurs. Further, there is a need to know about the role of public sector banks for the promotion and sustenance of micro enterprises in Tirunelveli District. The present study was based on both primary and secondary data. Interview schedule was used to collect the primary data from the sample respondents. Stratified random sampling method was adopted to obtain responses from the micro entrepreneurs. Thus, the researcher has stratified the sample respondents for the study by 245 entrepreneurs from urban area, 214 entrepreneurs from semi-urban area and 153 entrepreneurs from rural area. Hence, the data were collected from 612 micro entrepreneurs in Tirunelveli district. In the study, it has been found that micro enterprises are considered as the backbone of the economy, and that is the reason, responsibility of banks increases. This is the right time when banks have to view themselves not just as providers of credit but as partners in the growth of these enterprises, especially for first generation entrepreneurs. All public sector banks need to ensure greater participation in the affairs of their micro enterprises clients by convergence of credit services and non-credit services. But for this bank staff also should be trained for customized training programs to meet the specific needs of micro enterprises such as knowledge of markets, both domestic and global, use of technology, etc. Banks also need to create products specifically suited to the requirements of micro enterprises and should take a longer term view of its relationship with such entities while pricing such products.

KEY WORDS: Public Sector Banks, Micro Enterprises and Micro Entrepreneurs

INTRODUCTION

Entrepreneur is a person who perceives a need and then brings together manpower, material and capital required to meet that need. An entrepreneur is a person who is able to express and execute the urge, skill, motivation and innovative ability to establish a business or industry of his own, either alone or in collaboration with his friends. His motive is to earn profit through the production or distribution of goods or services. Adventurism, willingness to face risks, innovative urge and creative power are the inborn qualities of entrepreneurship. Entrepreneurship can also be explained as a process of executing a work in a new and better way. As has sometimes been remarked, an entrepreneur is easy to recognize and hard to define. In general, Entrepreneurs are individuals who conceive new business opportunities and take on the risks required to convert those ideas into reality. They are people who are able to identify new commercial ventures, incubate ideas and champion their adoption, assemble the

resources needed to bring the idea to commercial reality such as money, people and technologies and, finally, launch and grow the business venture.

STATEMENT OF THE PROBLEM

Finance is the life blood of business. So, it becomes necessary for micro entrepreneurs to approach to financial institutions when need arises. Researcher made efforts to know the role of public sector banks in granting financial assistance to micro entrepreneurs. Various institutions in the financial sector extend their maximum support in the form of incentives, loans, schemes etc. Even then every micro entrepreneur may not be aware of all the assistance provided by the institutions. So the sincere efforts taken towards micro entrepreneurs may not reach the entrepreneurs in rural and backward areas. The researcher has undertaken the study of micro business entrepreneurs. Further, there is a need to know about the role of public sector banks for the promotion and sustenance of micro enterprises in Tirunelveli District.



OBJECTIVES OF THE STUDY

The study has the following objectives.

- (i) To study the role of public sector banks to sustain micro entrepreneurs in Tirunelveli District.
- (ii) To know the nature of business of micro entrepreneurs in Tirunelveli District.
- (iii) To offer suitable suggestions based on the findings of the study.

METHODOLOGY

The present study was based on both primary and secondary data. Interview schedule was used to collect the primary data from the sample respondents. To elicit the details of Micro entrepreneurs, a well structured interview schedule has been prepared after consulting the experts in the field. For this, a pilot study was made and with that response, final interview schedule was prepared to collect the information required for the study. Primary data was collected from the micro entrepreneurs from the study area. The relevant secondary data were collected from the records and registers of various departments. The information available in the website was also collected for the study. In addition to this secondary data which are relevant to the study were collected from various books, magazines and from other published materials.

SAMPLING TECHNIQUES

Sample Size $n = (ZS/E)^2$

$Z =$ Standardised value corresponding to confidence level of 95% = 1.96

$S =$ Sample standard deviation from pilot study of 80 sample = 0.631

$E =$ Acceptance Error = 5% = 0.05

$$n = \left(\frac{1.96 \times 0.631}{0.05} \right)^2$$

$$= 611.83$$

$n = 612$

Stratified random sampling method was adopted to obtain responses from the micro entrepreneurs. Thus, the researcher has stratified the sample respondents for the study by 245 entrepreneurs from urban area, 214 entrepreneurs from semi-urban area and 153 entrepreneurs from rural area. Hence, the data were collected from 612 micro entrepreneurs in Tirunelveli district.

LIMITATIONS OF THE STUDY

- (i) The study is limited to micro business entrepreneurs only. This study does not include the entrepreneurs who come under the Small Scale Industries and Large Scale Industries. The study is limited to the sample size of 612 entrepreneurs. The sampling has its own bias.
- (ii) It is not possible to study the entire universe due to lack of time and resources. So, the study is based only on the information obtained from 612 respondents from Tirunelveli district.

DATA ANALYSIS**Nature of Enterprise**

The micro entrepreneurs may run the enterprises according to their capability in terms of risk-taking ability, marketing, finance and management. The nature of enterprises selected by them is influenced by the profitability, scope of business and other relevant aspects. The nature of enterprises may relate to coir products, food processing, brick making, poultry farming, dry fish, handicrafts, fishnet making, palm leaf products, masala products, tailoring shops, beauty clinics, readymade garments trade, xerox & communication service, stationery stores and general stores (grocery and fancy). The nature and number of enterprises are presented in Table 1.

Table 1
Nature of Business of the Respondents

| Nature of Enterprises | Region | | | Total |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Urban | Semi-Urban | Rural | |
| Coir products | 5(2) | 10(4.7) | 6(3.9) | 21(3.4) |
| Food processing | 39(15.9) | 22(10.3) | 9(5.9) | 70(11.4) |
| Brick making | 10(4.1) | 20(9.3) | 11(7.2) | 41(6.7) |
| Poultry farming | 15(6.1) | 21(9.8) | 17(11.1) | 53(8.7) |
| Dry fish | 9(3.7) | 12(5.6) | 18(11.8) | 39(6.4) |
| Handicraft | 27(11) | 28(13.1) | 20(13.1) | 75(12.3) |
| Fishnet making | 10(4.1) | 5(2.3) | 7(4.6) | 22(3.6) |
| Palm leaf products | 13(5.3) | 14(6.5) | 15(9.8) | 42(6.9) |
| Masala products | 17(6.9) | 11(5.1) | 4(2.6) | 32(5.2) |
| Tailoring Shops | 25(10.2) | 17(7.9) | 15(9.8) | 57(9.3) |
| Beauty clinics | 8(3.3) | 6(2.8) | 2(1.3) | 16(2.6) |
| Readymade Garments Trade | 14(5.7) | 13(6.1) | 10(6.5) | 37(6.1) |
| Xerox & Communication Service | 12(4.9) | 13(6.1) | 4(2.6) | 29(4.7) |
| Stationery Stores | 11(4.5) | 10(4.7) | 8(5.2) | 29(4.7) |
| General Stores (Grocery and Fancy) | 30(12.2) | 12(5.6) | 7(4.6) | 49(8.1) |
| Total | 245(100) | 214(100) | 153(100) | 612(100) |

Source: Primary data

Note: Figures within the brackets indicate percentage

The common micro enterprises of micro entrepreneurs relate to handicrafts, food processing, tailoring shops and poultry farming which constitute 12.3 per cent, 11.4 per cent, 9.3 per cent and 8.7 per cent to the total respectively. General Stores (Grocery and Fancy), palm leaf products, brick making, dry fish, readymade garments trade and masala products which constitute 8.1 per cent, 6.9 per cent, 6.7 per cent, 6.4 per cent, 6.1 per cent and 5.2 per cent to the total respectively. The other micro enterprises are below 5 per cent.

It is clear from the table that in urban area, majority of 15.9 per cent of the micro entrepreneurs are involved in

food processing business, in semi-urban area, about 13.1 per cent and in rural area, 13.1 per cent of the respondents are involved in handicrafts business.

NATURE OF BUSINESS OF THE RESPONDENTS

Micro entrepreneurs may run their enterprise to suit their capabilities related to finance, management, marketing and risk-taking ability. The nature of enterprise selected by them is influenced by the scope of business, profitability and other aspects. Micro entrepreneurs are involved in different nature of business namely production, manufacturing, trading and service. The following table shows the nature of business of the respondents.

Table 2
Nature of Business of the Respondents

| Nature of Business | Region | | | Total |
|--------------------|-----------------|-----------------|-----------------|-----------------|
| | Urban | Semi-Urban | Rural | |
| Production | 65(26.5) | 59(27.6) | 45(29.5) | 169(27.6) |
| Manufacturing | 56(22.9) | 53(24.8) | 38(24.8) | 147(24) |
| Trading | 89(36.3) | 72(33.6) | 60(39.2) | 221(36.1) |
| Service | 35(14.3) | 30(14) | 10(6.5) | 75(12.3) |
| Total | 245(100) | 214(100) | 153(100) | 612(100) |

Source: Primary data

Note: Figures within the brackets indicate percentage

Table 2 shows that majority i.e. 36.1 per cent of the micro entrepreneurs are involved in trading; 27.6 per cent of the entrepreneurs are involved in production, 24 per cent of the entrepreneurs are involved in manufacturing and 12.3 per cent of the entrepreneurs are involved in service.

It is clear from the table that in urban area, majority of 36.3 per cent, in semi-urban area, about 33.6 per cent and in rural area, 39.2 per cent of the respondents are involved in trading.

Table 3
Years of Existence

| Years of Existence | Region | | | Total |
|--------------------|-----------------|-----------------|-----------------|-----------------|
| | Urban | Semi-Urban | Rural | |
| Up to 2 years | 24(9.8) | 17(7.9) | 9(5.9) | 50(8.2) |
| 3 to 5 years | 39(15.9) | 35(16.4) | 29(18.9) | 103(16.8) |
| 6 to 8 years | 69(28.2) | 54(25.2) | 45(29.4) | 168(27.5) |
| 9 to 11 years | 80(32.7) | 68(31.8) | 57(37.3) | 205(33.5) |
| Above 11 years | 33(13.5) | 40(18.7) | 13(8.5) | 86(14.1) |
| Total | 245(100) | 214(100) | 153(100) | 612(100) |

Source: Primary data

Note: Figures within the brackets indicate percentage

The above reveals that a considerable number of micro entrepreneurs, that is 33.5 per cent of them, have 9 to 11 years of existence, 27.5 per cent of them have 6 to 8 years of existence, 16.8 per cent of them have 3 to 5 years of existence, 14.1 per cent of them have above 11 years of existence and 8.2 per cent have up to 2 years of existence.

It is clear from the table that in urban area, majority of 32.7 per cent, in semi-urban area, about 31.8 per cent and

in rural area, 37.3 per cent of the enterprises has 9 to 11 years of existence.

BANK IN WHICH HAVING ACCOUNT

An attempt has been made to find out bank in which the micro entrepreneurs having account, the data have been collected from the micro entrepreneurs and presented in the Table 4.

Table 4

Bank in which having account

| Bank in which having account | Region | | | Total |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Urban | Semi-Urban | Rural | |
| Indian Overseas Bank | 75(30.6) | 65(30.4) | 42(27.5) | 182(29.7) |
| Canara Bank | 28(11.4) | 29(13.6) | 27(17.6) | 84(13.7) |
| Indian Bank | 42(17.1) | 35(16.4) | 20(13.1) | 97(15.8) |
| State Bank of India | 54(22.1) | 52(24.3) | 33(21.6) | 139(22.7) |
| Bank of Baroda | 10(4.1) | 5(2.3) | 9(5.9) | 24(3.9) |
| Bank of India | 6(2.5) | 7(3.3) | 5(3.3) | 18(2.9) |
| Central Bank of India | 8(3.3) | 6(2.8) | 5(3.3) | 19(3.1) |
| Corporation Bank | 5(2.1) | 4(1.9) | 5(3.3) | 14(2.3) |
| IDBI Bank | 4(1.6) | 3(1.4) | 2(1.3) | 9(1.5) |
| Punjab National Bank | 3(1.2) | 2(0.9) | 1(0.7) | 6(0.9) |
| Syndicate Bank | 2(0.9) | 2(0.9) | 1(0.7) | 5(0.7) |
| UCO Bank | 3(1.2) | 2(0.9) | 1(0.7) | 6(0.9) |
| Union Bank of India | 5(2.1) | 2(0.9) | 2(1.3) | 9(1.5) |
| Total | 245(100) | 214(100) | 153(100) | 612(100) |

Source: Primary data

Note: Figures within the brackets indicate percentage

Table 4 shows that majority of the micro entrepreneurs having account in Indian Overseas Bank, State Bank of India, Indian bank and Canara bank which constitute 29.7 per cent, 22.7 per cent, 15.8 per cent and 13.7 per cent to the total respectively. In other banks, the micro entrepreneurs are below 4 per cent.

It is clear from the table that in urban area, majority of 30.6 per cent, in semi-urban area, about 30.4 per cent and in rural area, 27.5 per cent of the respondents are having account in Indian Overseas Bank.

STEPS TAKEN BY THE BANKS TO SUSTAIN MICRO ENTREPRENEURS

In order to find out the significant difference in steps taken by the banks to sustain micro entrepreneurs among micro entrepreneurs of different region, '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 for steps taken by the banks to sustain micro entrepreneurs among different region of micro entrepreneurs is presented in Table 5.

Table 5

Steps taken by the banks to sustain micro entrepreneurs

| Steps taken by the banks to sustain micro entrepreneurs | Region | | | F Statistics |
|--|--------|------------|--------|--------------|
| | Urban | Semi-urban | Rural | |
| Convenient location | 3.8235 | 3.7673 | 3.6542 | 3.180* |
| 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 | 4.1308 | 4.0654 | 3.9408 | 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 | 2.975* |
| 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 the above table, it is understood that low interest rates on loans is the important steps taken by the banks to sustain micro entrepreneurs among the urban, semi-urban and rural entrepreneurs as their mean scores are 4.1308, 4.0654 and 3.9408 respectively. Regarding the steps taken by the 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 satisfaction towards the services of the public sector banks – Correlation Analysis

In order to find out the relationship between the steps taken by the banks to sustain micro entrepreneurs and the 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 significant relationship between the steps taken by the banks to sustain micro entrepreneurs and the satisfaction towards the services of public sector banks'. The results are presented below.

Table 6
Steps taken by the banks to sustain micro entrepreneurs and the satisfaction towards the services of public sector banks – Correlation Analysis

| Steps taken by the banks to sustain micro entrepreneurs | 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 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

- From the above findings it was found that one of the public sector banks provided services is Online transactions. That is not much known to the micro entrepreneurs; therefore the Bank management should take efforts to make awareness among the micro entrepreneurs about online facilities.
- Public sector banks should give proper training to their customers about e-banking facilities, for their customers' better understanding. Also because it has been found that the customers are more influenced by the banker and less by the print media.
- It is suggested that special fund should be provided in the form of loan to empower micro entrepreneurs. This would go a long way in promoting micro enterprises in Tirunelveli district.

- Bank should think about to open some remedial centers for micro entrepreneurs. In such remedial centers, experienced staff should be appointed who guide and help to entrepreneurs in all aspects for getting the finance. With the help of such remedial centers, bank can resolve the maximum number of issues which they are facing in providing finance.

CONCLUSION

In the study, it has been found that micro enterprises are considered as the backbone of the economy, and that is the reason, responsibility of banks increases. This is the right time when banks have to view themselves not just as providers of credit but as partners in the growth of these enterprises, especially for first generation entrepreneurs. All public sector banks need to ensure greater participation in the affairs of their micro enterprises clients by convergence of credit services and non-credit services. But for this bank staff also should be trained for customized training programs to meet

the specific needs of micro enterprises such as knowledge of markets, both domestic and global, use of technology, etc. Banks also need to create products specifically suited to the requirements of micro enterprises and should take a longer term view of its relationship with such entities while pricing such products.

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