A STUDY OF
CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES WITH PARTICULAR REFERENCE TO BANK OF BARODA IN STATE OF KERALA

Thesis submitted to

Cochin University of Science & Technology

For the award of the degree of

Doctor of Philosophy

In the faculty of Social Sciences

By

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August 2010

Certificate

Certified that the thesis entitled **"A study of Credit Guarantee fund Trust for Micro and Small Enterprises with particular reference to Bank of Baroda in state of Kerala"** is the record of bonafide research work carried out by P.A.HABEEB RAHIMAN under my supervision.

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DECLARATION

I, P.A.Habeeb Rahiman, hereby declare that the thesis entitled **“A Study of Credit Guarantee Fund Trust for Micro and Small Enterprises with particular reference to Bank of Baroda in state of Kerala”** is a record of bonafide research work carried out by me under the supervision of Dr.George Varghese, Professor(Retd), School of Management Studies, Cochin University of Science & Technology, Cochin – 682022. I further declare that this thesis has not previously formed the basis for the award of any degree, diploma, associate ship, fellowship or other similar title or recognitions.

Cochin,
Date 16.08.2010. **P.A.HABEEB RAHIMAN**

Acknowledgement

This research has been made possible by the guidance, support and encouragement of so many well wishers. I take this opportunity to acknowledge their contribution to this study.

First and foremost I would like to thank my research guide Dr. George Varghese, for accepting me as his student and for his constant encouragement, support, and readiness to help despite his busy schedule.

I am extremely grateful to Dr.James Manalel, Professor, SMS, CUSAT for being my research committee member and continuously monitoring the progress of the research and providing encouragement to complete this study.

I am extremely thankful to Dr.K.B.Pavithran, Director, School of Management Studies, for extending all facilities for enabling the completion of this study

I express my deep sense of reverence, respect and gratitude to Dr. K.C Shankaranarayanan, Director (Retired) School of Management Studies for his invaluable guidance, support and assistance in improving the final report.

I remember with respect the motivation and encouragement given to me in beginning the research work by Dr. K.K George, Director (Retired) School of Management Studies.

I wish to thank all faculty members and research scholars of the School of Management Studies of CUSAT for their comments and inputs during both formal and informal interactions, which has gone a great way in improving the quality of this thesis.

I express my gratitude to Bank of Baroda, for giving me permission for study, and to the respondents viz officers working in Bank of Baroda and the borrowers of CGTMSE for their sincere co-operation without which this study would not have been possible.

I express my deep sense of gratitude and appreciation to my wife and daughter, for all the support and prayers for completing this research.

Above all I thank GOD ALMIGHTY for all the blessings, without which this study would never have been possible.

P.A.Habeeb Rahiman

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Abbreviations

MSE	–	Micro & Small Enterprises
CGTMSE	–	Credit Guarantee Fund Trust for Micro & Small Enterrprises
SSI	–	Small Scale Sector
NCEUS	–	National Commission for Enterprises in the Unorganised Sector
MSME	–	Micro Small & Medium Enterprises
MLI	–	Member Lending Institution
RBI	–	Reserve Bank of India
BOB	–	Bank of Baroda
CGS	–	Credit Guarantee Scheme
SIDBI	–	Small Industries Development Bank of India
CGO	–	Credit Guarantee Organisation
NM	–	Non Mandatory Lending
AP	–	Approval Norms
GIN	–	Guarantee Invoking Norms
PGF	–	Payment of Guarantee Fee
RNS	–	Reserve Banks Non Stipulation of Sub Limit

Chapter- 1

INTRODUCTION

1.1 Micro & Small Enterprises

In a nation's economy, it's the Micro and Small Enterprises which play a vital role, for, they not only give employment to a large number of unskilled and semi-skilled people but also support bigger industries by supplying raw material, basic goods, finished parts and components, etc. The critical role and place of the MSE sector in the Indian economy in employment generation, exports and economic empowerment of a vast section of the population is well known. There are about 2.6 crore enterprises in this sector. The sector accounts for 45 per cent of the manufactured output and 8 per cent of the Gross Domestic Product (GDP). MSMEs contributed close to 40 per cent of all exports from the country and employ nearly 6 crore people which is next only to the agricultural sector.[1]

MSME is the best vehicle for inclusive growth, to create local demand and consumption. The MSEs of yesterday are the medium or large corporate of today and could be MNCs of tomorrow. Thus the banks should take pride while servicing the MSEs as they are playing an instrumental role in the formation of MNCs of tomorrow.[2]

MSEs primarily rely on bank finance for a variety of purposes including purchase of land, building, plant and machinery as also for working capital and exports receivables financing. Ensuring timely and adequate flow of credit to MSEs has been an overriding public policy objective[3]. MSE feels they are a neglected breed and that they are fighting a lone battle almost impossible for them to win. MSEs are among the most vulnerable victims of

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1 Reserve Bank of India (2010), Report of RBI Working group to Review Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro & Small Enterprises – Report dt. 6.3.10 Chapter I Section 1.1.

2 Dr.K.C.Chakaborty(2010), Dy.Governor, RBI, " Bank Credit to Micro, Small and Medium Enterprises, Present Status and Way Forward" at formal release of Indian MSME Report 2010 at Kochi

3 Reserve Bank of India (2010), Report of RBI Working group– dt. 6.3.10 Chapter I Section 1.4.

this practice because their asset base is generally small, especially in comparison with their growth potential. The problem is more acutely felt by knowledge-based industries whose assets are mostly intangible. MSE is often a young firm with an untested product or technology operating in an undeveloped market. Naturally there is a high degree of uncertainty associated with the outcome. The inventor - entrepreneur may be a good technician, but not a good manager. The lack of managerial skills also poses problems. Insufficient resources to hire in badly needed expertise or to invest in new technology become yet another hurdle. He is not able to afford expensive marketing schemes to make his products known. Bureaucratic red tape tells him how important it is to keep all the laws of the land in tact, especially when it comes to MSE. He has to wait an inordinate length of time to get an order to supply and also to get paid for the goods and services they have provided. What is surprising is there seems to be a never ending stream of risk-bearing entrepreneurs with the courage to take up the challenge of trying to create an MSE, which might become a part of the fabric of tomorrow’s industrial scene.

1.2 Credit Guarantee Fund Trust for Micro & Small Enterprises

In view of the high risk perception of the bankers MSEs are finding it extremely difficult to obtain adequate and timely credit from the banking sector. Not withstanding various measures taken by the Government of India and Reserve Bank of India for facilitating the growth of the MSE sector, there have been widespread complaints from the MSE sector that many of them, particularly technocrats and first generation entrepreneurs in the Micro and Small enterprises sector, find themselves handicapped in accessing credit from the banking system primarily for want of secondary collateral and/ or third party guarantee[4].

[4] Reserve Bank of India (2010), Report of Working Group on Credit Guarantee Scheme of CGTMSE, Chapter I, Section 1.5

Banks insist on secondary collateral, particularly in the form of immovable property as also third party guarantee, in order to hedge against default in the MSE segment. Reserve Bank of India brought in several mandatory measures, to ensure that bankers do not reject viable proposals from MSE. For guaranteeing the advances granted by banks and other Credit Institutions to small scale industries Government of India, in consultation with the Reserve Bank of India, introduced a Credit Guarantee Scheme in July 1960. The Reserve Bank of India was entrusted with the administration of the Scheme, as an agent of the Central Government, under Section 17 (11 A)(a) of the Reserve Bank of India Act, 1934 and was designated as the Credit Guarantee Organization (CGO). Further, with the objective of encouraging the commercial banks to cater to the credit needs of the hitherto neglected sectors, particularly the weaker sections of the society engaged in non-industrial activities, by providing guarantee cover to the loans and advances granted by the credit institutions covered under the priority sector, Reserve Bank of India promoted a public limited company on January 14, 1971, named Credit Guarantee Corporation of India Ltd.,(CGC1).With a view to integrating the functions of deposit insurance and credit guarantee, DIC & CGCI were merged and Deposit Insurance and Credit Guarantee Corporation (DICGC) came into existence on July 15, 1978. Effective from April 1, 1981, the Corporation extended its guarantee support to credit granted to small scale industries also, after the cancellation of the Government of India's credit guarantee scheme. With effect from April 1, 1989, guarantee cover was extended to the entire priority sector advances,[5] as per the definition of the Reserve Bank of India. Despite guaranteeing the entire priority sector advance by DICGC collateral security continued to be a deciding factor in sanction of advances.

[5] DICGC (2009), 47th Annual Report of the Board of Directors for the year ended 31st March 2009, An Overview of DICGC Section.2.

Therefore, Reserve Bank of India, in accordance with the recommendations of the S.L. Kapur Committee, the exemption limit for obtaining of collateral security / third party guarantee was raised from Rs. 25,000 to Rs. 1 lakh in October 1999. Projects above one lakh became victims of security oriented concept. Bankers continued to insist for collateral above one lakh as an insurance against potential default. MSE with viable projects, with out commensurate collateral to offer were finding it difficult to avail loan above one lakh. To address this situation and to help MSEs, the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was setup by Govt. of India and SIDBI in the year of 2000- 01 with a corpus of RS. 125 crore. Annual additions were made continuously and the corpus balance for the year 2008-09 stands at Rs.1754.06 crores. The CGTMSE provided guarantees to banks and financial institutions to facilitate collateral free loans to MSE sector. Guarantee cover is given to collateral free loans disbursement by Member Lending Institutions (MLI) up to 25 lakh. The facility was initially extended to SSI. Member Lending Institutions (MLI) are financial institutions that are registered with the trust and are covered under this scheme for the loans extended to eligible businesses. The MLI's constitute various categories of banks including PSU banks, private sector banks, regional rural banks and other lending institutions. With the enactment of Micro Small and Medium Enterprises Development Act 2006 (MSMED ACT 2006), a paradigm shift has taken place by inclusion of the services sector in Micro & Small enterprises, and, the coverage of the scheme has been enhanced to 50 lakh.[6] Further,in terms of the Economic Stimulus Package announced by Government of India on December 07, 2008, the coverage of the eligible credit limit per borrower under the CGS has been increased from Rs.50 lakh to Rs.100 lakh.[7]

The Trust shall cover credit facilities (Fund based and/or Non fund based) extended by Member Lending Institution(s) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility (i) not

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[6] CGTMSE circular 36/2007-08 dt.2.7.2007
[7] CGTMSE circular 50/2008-09 dt. 7.1.2009

exceeding Rs. 50 lakh (Regional Rural Banks/Financial Institutions) and (ii) not exceeding Rs.100 lakh (Scheduled Commercial Banks and select Financial Institutions) by way of term loan and/or working capital facilities on or after entering into an agreement with the Trust, without any collateral security and\or third party guarantees or such amount as may be decided by the Trust from time to time.

Although Credit Guarantee fund Trust became operational in 2000-01, the trends in its operations indicate that during the initial years, the cover extended was low as also the disbursement both in absolute and relative terms. In 2000 only 951 loans were given with average lending of Rs.0.63 lakh while 2296 loans were given in 2002 with average lending of 1.52 lakh. As of 2006 financial year, 16284 collateral free loans with aggregate amount of 1000 crore was disbursed under the CGT scheme by entire banking / financial sector in India. Up to 2008-2009, the aggregate collateral free lending under CGTMSE was 53708 accounts with cumulative lending of Rs.1705/- crores, (CGTMSE, 2009)[8] which works out toRs.8.98/- lakh per borrower, against the upper cap of 100 lakh, denoting underutilization of the scheme. Several studies have been conducted by Regulator / Govt as to why credit is not picking up though the lending has been made completely collateral free upto 100 lakh. But the reasons which keeps the lending at low level continued to remain unidentified. This study is an attempt to find out why there is a poor growth for CGTMSE lending, despite making it completely collateral free and even when those who avail the advance, go in for 1/11th of the permissible limit.

1.3 Statement of the Problem

While the quantum of advances from the public sector banks (PSBs) to the MSEs has increased over the years in absolute terms, from Rs.46, 045 crore in March 2000 to Rs.1, 85,208 crore in March 2009, the share of the

[8] Credit Guarantee fund Trust for Micro & Small Enterprises – Annual Report 2008-2009

credit to the MSE sector in the Net Bank Credit (NBC) has declined from 12.5 per cent to 10.9 per cent. Similarly, there has been a decline in the share of micro sector as a percentage of Net Bank Credit (NBC) from 7.8 per cent in March 2000 to 4.9% in March 2009. (TKA.Nair, 2010)[9].The major reasons for low availability of bank finance to this sector are high risk perception of the banks in lending to MSEs and high transaction costs in processing of loan applications of MSEs. The problem is more serious for micro enterprises requiring small loans and the first generation entrepreneurs

A recent study conducted by the International Federation of Accountants (IFAC), an organization comprised of 157 accountancy organizations in 123 countries in association with “THE BANKER’ to better understand the challenges of small business lending, where 500 bankers from across the world took part, found that small business need access to adequate financing to take advantage of every opportunity to grow and expand for economic development. The survey revealed that SME are among the most severe casualties despite having sharp cuts in the interest rates by central banks around the world and various stimuli injected into financial sectors, banks continue to focus on the bigger-ticket names that provide safer deals. Political calls for higher lending to SMEs is counter balanced by those who believe that it would not be responsible to lend to poor or failing businesses.. The survey by IFAC/The Banker revealed that lending to small and medium-sized enterprises went down in the first half of 2009 as banks tightened security measures [10].

A working paper released by Harward business school (Nanda 2009)[11] observes that financing constraints are one of the biggest concerns impacting

9 TKA.Nair (2010) – Prime Ministers Task Force for MSME- Report of January 2010, Govt of India, Chapter VI, Sectio 6.7

10 The Banker/IFAC Survey (2009), October Ist, 2009 www.ifac.org/financial-crisis/smp-sme-resources.php .

11 Ramana Nanda & William R.Kerr(2009) “Financing Constraints and Entrepreneurship” –Working Paper, Harvard Business School, 11.9.2009, http:// hbswk.hbs.edu/faculty/ rnanda.html

entrepreneurs around the world. Given the important role that entrepreneurship is believed to play in the process of economic growth, alleviating financing constraints for would be entrepreneurs is an important goal. At Knowledge @Wharton- Lifting People Worldwide out of Poverty ,Muhammad Yunus, winner of 2006 Nobel Peace prize says that 33 years ago – when he was trying to start his program and arguing with the bankers that it would be a good idea to give loans to poor people, their argument was that poor people were not credit worthy.[12]

However, not withstanding various measures taken by the Government of India and Reserve Bank of India for facilitating the growth of the MSE sector there have been widespread complaints from the MSE sector that many of them, particularly technocrats and first generation entrepreneurs in the Micro and Small enterprises sector, find themselves handicapped in accessing credit from the banking system primarily for want of secondary collateral and/ or third party guarantee.

1.4 Research Problem

This study has identified the following as the specific research problems.

1.4.1 Poor growth of CGTMSE lending.

The collateral free lending under CGTMSE for March 2009 was just 2.64% of the total MSE lending, (RBI report)[13] revealing the fact that 97.4% of the lending to MSE is outside the purview of collateral free lending even for PSU banks. Technocrats and first generation entrepreneurs in the Micro and Small enterprises sector, found themselves handicapped in accessing credit from the banking system primarily for want of secondary collateral and/ or third party guarantee. When the upper ceiling fixed by the

[12] Mohamed Younus (2009)“ Lifting People worldwide out of Poverty”- Knowledge@Wharton – 2009, http://knowledge.wharton.upenn.edu/article.cfm?articleid=2243

[13] RBI Working Group(2010), to review Credit Guarantee Scheme of CGTMSE dt. 6.3.2010

scheme is 100 lakh, average lending made by all the banks as of 2009 for the whole country is 8.98 lakh, showing in poor implementation of CGT scheme. Collaterals are still required to obtain loan from the bank, and the 100 lakh caps of CGTMSE lending remains in the scheme and in the dream of those who made the scheme.

1.4.2 Divergence in guidelines by CGTMSE, RBI & BOB.

When collateral free lending was raised from 25000 to 1 lakh by Reserve Bank of India in October 1999, based on SL Kapur committee, CGT was not in operation. In 2000 when CGT was formed with provision for collateral free lending to SSI upto 25 lakh, the stipulation of collateral free lending up to Rs.one lakh by RBI was in vogue. Subsequently Reserve Bank of India, raised the mandatory limit for collateral free lending to 5 lakh(Reserve Bank of India, 2009). CGT raised the limit to 50 lakh and in 2008, it was made one crore after including the service sector under the coverage of MSME. RBI has appointed a high power working group to study and review CGTMSE, with the objective of accelerating lending to MSE. Later it has submitted a report in 2010 March, stating that collateral free lending should be made mandatory up to Rs. 10 lakh. Incidentally, CGTMSE lending is non mandatory, which means that lending can be made but need not necessarily be made. Needless to add, average lending continues to be less than Rs. 9 lakh as on March 2009, with the upper cap of Rs. 100 lakh still remains in the scheme details.

1.4.3 Awareness level of MSE about CGTMSE.

To borrow under CGTMSE, the targeted group ie., MSE should be aware of the availability of credit up to Rs. 100 lakh, without providing collateral securities. Knowledge gap keep the scheme away from the prospective borrowers. When the scheme is not known, no effort is being made by the public to apply for any advance under this scheme.

1.4.4 Problem of bringing in Margin required

CGTMSE scheme is silent about the margin to be brought in by the borrower. In the absence of specific norms, the margin of 25 % is stipulated by financing Bank (Bank of Baroda). To avail the upper cap of Rs. 100 lakh permissible under CGTMSE, which is 75% of total project cost, the margin of 25% has to be brought in by the borrower.. Anyone who is not capable enough to bring in this margin will end up with no loan. The financial capability of the borrower to bring in liquid cash margin decides, the quantum of loan he can avail subject to overall cap of Rs. 100 lakh. Though, several studies[14] have been carried out why lending under CGTMSE is not picking up, none of the studies had gone in to find out the logic of fixing margin on a collateral free lending, or the source where from the margin is brought in and how difficult it is to arrange for it.

1.5 Specific research objective

a) To study the divergence in guidelines by, CGTMSE, RBI & Bank of Baroda on collateral free lending.

b) To analyse the awareness of MSE about CGTMSE lending.

c) To assess the problems faced by borrowers in availing advance under CGTMSE from Bank of Baroda, Kerala.

1.6 Research Design

Data collection

Both primary & secondary data are used for the study.

1.6.1 Secondary Data

Secondary data required for the study has been obtained from reports of Bank of Baroda, published data from CGTMSE, published data from Lead

[14] a) TKA. Nair (2010), Principal Secretary to PM as Chairman, Report of Prime Ministers Task Force on MSME ,

b) RBI working Group(2010), to review the Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro & Small Enterprises with VK.Sharma, Executive Director, RBI as Chairman

Bank, Reserve Bank of India, Report on Trend and Progress of Banking in India , Reserve Bank of India. ‘Report of the Working Group on Rehabilitation of Sick SMEs’.2008, Reserve Bank of India ,”Report of Working group to review the Credit Guarantee Fund Trust for Micro & Small Enterprises” – March 2010, Government of India- ‘Report of the Prime Minister’s Task Force on Micro, Small and Medium Enterprises’- January 2010.

The following secondary data are collected from Bank of Baroda, Regional office, Kerala; Bank wise, all India lending under CGTMSE, BOB state wise lending under CGTMSE, Bank wise, all Kerala lending under CGTMSE, distrtict wise all Kerala lending under CGTMSE for all banks. The data analysis is done as under:

1.6.2 Primary Data

To study the impact of divergent guidelines of CGTMSE, RBI & Bank of Baroda on collateral free lending primary data were collected from 61 branch managers and 61 credit officers working in Bank of Baroda, Kerala. A pre-tested structured questionnaire consisting of 70 questions were administered to them to ascertain the divergence in guidelines of CGT, RBI & BOB on collateral free lending. To study the 2nd objective of analyzing the awareness of MSE about CGTMSE lending , 122 MSE borrowers were selected at random method at the rate of 2 borrowers per branch of Bank of Baroda, Kerala a pretested 20 questionnaire were administered to collect primary data. To study the third objective of assessing the problems faced by borrowers in availing advance under CGTMSE from Bank of Baroda, Kerala Primary data for lending made by Bank of Baroda, Kerala Region has been collected from the Regional office, Kerala. Details of lending made by all branches in Kerala under CGTMSE was obtained for a 4 year period from 2004 to 2007. A pre tested 30 questions were administered to all the borrowers to collect data on problems faced by them in obtaining credit from Bank of Baroda, Kerala.

1.6.3 Tools for Data Analysis:

To study the divergence in guidelines by, CGTMSE, RBI & Bank of Baroda on collateral free lending.

Primary data collected from 61 Branch Managers and 61 credit officers of Bank of Baroda, working in Kerala under census method were analyzed to establish the reliability of measuring instrument whether it yields the same result on repeated trials using Cronbach's alpha. 11 variables were taken to establish the reliability of the measuring instrument. Of the 11, seven variables were related to CGTMSE, 2 each for Reserve Bank of India and Bank of Baroda. As data were obtained from 61 Branch managers and 61 credit officers, Z test was done to establish whether any significant difference existed between Bank Managers and Credit Officers on each variable. Finally to identify the factors that influenced credit decision under CGTMSE lending for 122 Branch Managers and credit officers confirmatory factor analysis was used. In initial model, out of 11 variables all the 8 variables where cronbach's alpha was more than 0.6 were considered with equal weightage

To analyze the awareness of MSE about CGTMSE lending

The data collected from 122 MSE clients of Bank of Baroda were put to ascertain the dependency of awareness level on selected variables viz. education, advertisement, social capital, proximity with bankers, availability of scheme in vernacular, IT literacy, ability to collect information& attitude of bankers. To test whether dependency exist in the population or not, a one way ANOVA was conducted with 5% significance level. Finally, to identify which groups is different Turkey's post hoc test was conducted.

To assess the problems faced by borrowers in availing advance under CGTMSE from Bank of Baroda, Kerala.

The primary data collected under census method were cross tabulated for amount advanced by each branch, amount wise for working capital and term loan, amount wise for each year, branch wise and year wise, education wise for total accounts, and investment wise for all accounts.

1.7 An overview of CGTMSE lending

The main public policy purpose of the CGS for MSEs is to catalyze flow of bank credit to first generation entrepreneurs for setting up their MSE units without the hassles of secondary collateral/ third party guarantee. The Scheme is intended to encourage Member Lending Institutions to rely on their appraisal essentially on the viability of the project and the security of primary collateral of assets financed. The other objective is to encourage lenders availing of guarantee facility to extend composite credit facilities to borrowers comprising both working capital and term loans. The CGS seeks to reassure lenders that, in the event of a default by MSE unit covered by the guarantee, the Guarantee Trust would meet the loss incurred by the lender up to 85 per cent of the outstanding amount in default. CGTMSE operates the CGS through Member Lending Institutions (MLIs). All commercial banks included in the Second Schedule to the RBI Act, 1934, and such other institution(s) as may be notified by the Government of India from time to time are eligible to become MLIs. As of January 31, 2010, there were 110 MLIs registered with CGTMSE. Of this, 27 are Public Sector Banks, 16 Private Sector Banks, 59 Regional Rural Banks, 6 financial institutions and 2 foreign banks. All new and existing MSEs, which have been extended credit facilities by MLIs without any collateral security and / or third party guarantees, are eligible for guarantee cover under the Scheme.

The MSEs are enterprises as defined under the Micro Small & Medium Enterprises Development Act 2006 (MSMED Act) as given below

Table 1.1 Definition of Micro and Small Enterprises

Sector	Micro Enterprises	Small Enterprises
Manufacturing or Production	Investment in plant and machinery does not exceed Rs. 25 lakh	Investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore
Services	Investment in equipment does not exceed Rs. 10 lakh	Investment in equipment is more than Rs.10 lakh but does not exceed Rs.2 crore

Data Source: MSMED ACT 2006

Any secondary collateral / third party guarantee free credit facility (both fund and non-fund based) extended by MLIs, to new as well as existing MSEs with a maximum credit limit of Rs.100 lakh are eligible for cover. The extent of the guarantee cover admissible is shown below.

Table 1.2 Extent of Guarantee

Borrower Category	Maximum extent of Guarantee where credit facility is		
	Upto Rs. 5 lakh	**Abover Rs.5 lakh upto Rs.50 lakh**	**Abover Rs. 50 lakh upto Rs.100 lakh**
Micro Enterprises	85% of the amount in default subject to a maximum of Rs. 4.25 lakh	75% of the amount in default subject to maximum of Rs. 37.50 lakh	Rs. 37.50 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs. 62.50 lakh
Women enterpreneurs/ Units located in North East Region (including Sikkim) other than credit facility upto Rs.5 lakh to micro enterprises	80% of the amount in default subject to a maximum of Rs.40 lakh		Rs. 40 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs. 65 lakh
All other category of borrowers	75% of the amount in default subject to maximum of Rs.37.50 lakh		Rs. 37.50 lakh plus 50% of amount in default abover Rs. 50 lakh subject to overall ceiling of Rs. 62.50 lakh

Data Source: CGTMSE- Chapter IV

An annual service fee at specified rate (currently 0.50% in the case of credit facility up to Rs. 5 Lakh and 0.75% in the case of credit facility above Rs. 5 Lakh to Rs.50/- and 1.5% above Rs. 50/- lakh to Rs.100/-) of the credit facility sanctioned (comprising term loan and / or working capital facility) is charged to the MLIs. The table given below shows the rates of guarantee and annual fees charged on the basis of the credit facility sanctioned (RBI Working Group, 2010)

Table 1.3 Guarantee Fee

Credit facility	Upfront one time guarantee fee		Annual Service Fee
	North East Including Sikkim	Others	
Upto Rs. 5 lakh	0.75%	1.00%	0.50
Abover Rs.5/- lakh to Rs.50/- lakh	0.75%	1.5%	0.75%
AboveRs. 50 lakh to Rs.100 lakh	1.50%	1.50%	0.75%

Data Source : RBI Working Group to Review the Credit Guarantee Scheme of CGTMSE – Chapter II – Table 2

1.8 Limitations of study.

The data collected is for the 4 year period from 31.3.2004 to 31.3.2007.

1.9 Chapterisation

The report of the present study is organized and presented in the following seven chapters. The first chapter introduces the subject and discusses the topic in a nutshell highlighting the need for financial assistance to MSE segment, Statement of the research problem, Objectives for the research, Research Methodology,. Rules and regulations of CGTMSE lending, Limitations of the study and conclusion. The second chapter deals with the review of literature and the studies made by various committees constituted by Reserve Bank of India / Govt of India. When the third chapter examines the collateral free lending scheme of CGTMSE & implementation of the scheme by Bank of Baroda., the fourth covers analysis of divergence in guidelines issued by RBI & CGTMSE & BOB on collateral free lending to Micro & Small Enterprises. The fifth chapter examines the awareness level of MSE about CGTMSE. The sixth chapter deals with the problems faced by the borrowers under CGTMSE in availing credit from Bank of Baroda in state of Kerala and final chapter deals with findings, suggestions and conclusions.

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Chapter- 2

LITERATURE REVIEW

Introduction: This chapter is divided into five parts. Part 1 tries to explain what is meant by Micro& Small Enterprises and what is meant by credit guarantee. The need for credit guarantee is described in Part 2. Part 3 deals with credit guarantee from international perspective and its operation in various countries. Part 4 deals with comparative analysis of credit guarantee across the world and part 5 deals with how credit guarantee is operated in India.

PART - 1

WHAT IS MEANT BY MICRO & SMALL ENTERPRISES AND WHAT IS MEANT BY CREDIT GUARANTEE

2.1.1 Micro and Small Enterprises

Any discussion on micro and small enterprises should start with an understanding of what is meant by MSE. There is no standard, universal definition of Micro, Small and Medium Enterprises. Different agencies have defined on different parameters like sale, number of employees working, investment in Plant & Machinery etc. The Group SME Department of the World Bank considers "Number of Employees" as the criterion for identification of SME[1]. It states "SMEs are usually defined as companies with up to 250 employees", . In June 2004, the BASEL Committee (International Settlements of Central Banks of member countries) stated in the BASEL ACCORD: "SME Borrowers are defined as those with annual sales of less than 50 million. Euros" (ie., around 250 crores) Thus annual sales are internationally identified as the sole criterion for SME status as per BASEL committee.

[1] World Bank (2000)– "SME Issues" Vol.1.No.1 ,Nov 2000

The working group constituted by RBI under the Chairmanship of Ganguly recommended turnover as a measure of defining SME. The outer limit of annual sales for the recognition of SME status is at Rs. 50 crore (10). When the turnover is up to Rs. 2 crore it is classified as tiny, and from Rs. 2/- crore to Rs.10/- crore as small and from Rs.10/- to Rs.50/- crore as Medium. Micro, Small & Medium Enterprises Development Act 2006 clearly defines Micro & Small Enterprises. With the inclusion of service sector in MSE, the definition makes a clear demarcation of manufacturing and service enterprises separately both for micro and small enterprises. For manufacturing enterprises the investment in Plant & Machinery up to Rs.25/- lakh for micro and over Rs25/- lakh up to Rs.500/- lakh for Small manufacturing enterprise. For service enterprises, investment in equipments is the yardstick. When investment in equipments is up to Rs./-10 lakh it is classified as Micro service enterprise and when the investment in equipment is over Rs.10/- lakh up to Rs. 200/- lakh, it is classified as Small Service Enterprise[2]. Internationally, SME is a composite category with no sub-types, whereas both Ganguly committee and MSMED Act have sub-divisions. (S.K.Bagchi, 2008).[3]

PART - 2

NEED FOR CREDIT GUARANTEE

2.2.1 The Need for Credit Guarantee for MSE

A discussion on credit guarantee should clearly state the reasons which warrant it. The function of credit guarantee is to bridge the gap between the inability of borrowers to get the required credit and unwillingness of lenders to give credit, for reasons, which respective parties hold. Credit guarantee provides a meeting place for both of them for mutual benefit and growth. The

[2] MSMED ACT 2006, Chapter III, Section 7(i)

[3] S.K.Bagchi(2008) "Bank Finance for Small & Medium Enterprises"- Jaico Publishing House, Mumbai – First edition .

International Federation of Accountants (IFAC), an organization comprised of 157 accountancy organizations in 123 countries , initiated a survey with ‘The Banker’ to understand the challenges that lenders are facing with respect to small business lending better. The strong response by more than 500 bankers to the survey, indicates how important this issue is. It is crucial for the development of any nation that small businesses are given every opportunity to grow and expand. To fulfill their potential, both new, and established small businesses, need access to adequate financing. Given the high degree of asymmetric information associated with young and small firms, an important concern with such businesses is that they may face credit constraints that prevent them from growing as efficiently as they may like to or force them to prematurely shut down. Since banks are the most important source of external finance for young and small businesses, lending to small firms has focused on the how the competitive environment for banks and their organizational structure may affect small firms’ access to credit. A Harward Business School study by Ramana Nanda says, that entrepreneurs are significantly wealthier than people who work in employment.. Research shows that entrepreneurs comprise fewer than 9 percent of households in the United States but they hold 38 percent of household assets and 39 percent of the total net worth. This relationship between personal wealth and entrepreneurship has long been seen as evidence of market failure, meaning that talented but less wealthy individuals are precluded from entrepreneurship because they don't have sufficient wealth to finance their new ventures[4]. This indicates that people rich in ideas but not wealthy find it difficult to get required and timely finance.

Basu Anuradha and Simon C.Parket says that a key determinanat of successful start-ups is adequate financing, which in most of the countries comes from own savings or assets.[5]

4 Nanda R (2008), Cost of External Finance and Selection into entrepreneurship, Harvard Business School, Working paper, http://hbswk.hbs.edu/item/5846.html

5 C.Parker(2011) “ Family Finance & New Business Start-ups”- Oxford Bulletin of Economics & Statistics- 1 pp 333.358

All the foregoing clearly demonstrates that credit guarantee is a mechanism by which people especially from the lower strata of society can go ahead to start a business of their own, which in the unfortunate event of meeting with failure, banks are being compensated of by the credit guaranteeing organisation.

PART - 3

CREDIT GUARANTEE AN INTERNATIONAL PERSPECTIVE, ITS OPERATION IN VARIOUS COUNTRIES

2.3.1 Introduction to the Credit Guarantee System: An International Perspective.

A study on credit guarantee should include, the function and how the guarantee organisation performs.. The aim of a credit guarantee scheme is to reduce the losses incurred by lender / banks from defaulting SME borrowers, through the assumption of a share of this loss by the guarantee institution, normally in return for a guarantee fee. By diminishing the risk incurred by banks by offering risk-sharing and by motivating banks to explore the SME market segment, credit guarantee schemes can make bank finance more accessible for SMEs, and it has been widely argued, improve opportunities for economic and employment growth. The market failure in the credit markets for SMEs has led to the formulation of more than 2,250 credit guarantee schemes in almost 100 countries internationally (ADB, 2007).[6] The credit guarantee schemes serve the larger public policy objectives of promoting entrepreneurship in the country and to provide credit to the SMEs which commonly lack the kind of collaterals required by the banks and simultaneously reducing the credit risk of the lenders. According to ADB (2007), "it is also argued that well-designed, well-funded and well-implemented credit guarantee schemes can improve SME access to credit and their integration into formal financial markets, assist SMEs to obtain finance for

[6] Asian Development Bank(2007), Technical Assistance Consultants Report .

working capital, fixed assets and investment at reasonable conditions, and enable smaller firms to improve their competitiveness and extend their economic activity. This will ultimately translate into improved business performance and job creation”. In some countries, a high proportion of SMEs are serviced by guaranteed loans e.g. Japan 38%, South Korea 20%, and Taiwan 20%. The schemes in existence internationally are organised in various corporate or legal forms, ranging from state-operated financial institutions, state-funded companies and government-guaranteed SME loan programs and in some cases independent private corporate entities, credit guarantee foundations or associations, mutual guarantee associations etc. (ADB, 2007) [7].

2.3.2 Ownership Pattern of Credit Guarantee Corporations Across the World.

One of the largest funds globally, the Korean Credit Guarantee Fund (KODIT) is owned 60% by the national government and 40% stake is owned by the financial institutions. In Taiwan, the government owns 99% stake in the Small & Medium Enterprise Credit Fund (SMEG) and the remaining 1% is owned by the financial institutions. In the Philippines, however, the Small Business Guarantee & Finance Corp (national fund) the stakeholders are - National Government 45%; 55% by 5 state banks & insurance company. In UK, the Small Firms Loan Guarantee Scheme (SFLG) - National fund is financed 100% by UK Govt. In case of France, SOFARIS *(Societe Francaise de Garantie des Financements des petites et Moyennes Entreprises)*, BDPME Bank (French Development Bank) is the main equity holder and other stakeholders include CDC & French Government. As for the fee arrangements, most of the schemes have fixed guarantee fee arrangements in the range of 1.5 - 2 per cent per annum on the outstanding guarantee whereas some of the schemes have adopted risk-based guarantee fees where the fee structure is based on a sliding scale (e.g. Korea and Taiwan). It is also observed that almost all international major

[7] Asian Development Bank(2007), Technical Assistance Consultants Report .

credit guarantee institutions and programs have been granted non-profit status and enjoy exemptions from paying income tax and Value-Added Tax. Further, 25% of the schemes that charge on a per-loan basis take into account the maturity of the guaranteed loan when computing the fee, while 25% adapt the fee according to the risk of the loan or the borrower. Only 7% of the PCGs use a risk-based pricing structure and only 10% impose penalty rates for financial institutions with below-average loan performance. In 34% of the schemes in the sample, payouts are made after the borrower defaults. In 42% of the schemes, payout happens after the bank initiates recovery, while in 3% it happens after the PCG initiates recovery. In 14% of all the cases, payout has to wait until the bank writes off the loan. Schemes in more developed countries are more likely to pay out after default or after write-off, while schemes in developing countries are more likely to pay out after the bank initiates legal action. In many countries, Mutual Loan-Guarantee Societies (MLGSs) are assuming ever-increasing importance for small business lending, when borrowers do not have enough collaterisable wealth to satisfy collateral requirements and induce self-selecting contracts. In this setting, they view MLGSs as a wealth-pooling mechanism that allows otherwise inefficiently rationed borrowers to obtain credit. They focus on the case of large, complex urban economies where potential entrepreneurs are numerous and possess no more information about each other than do banks. Despite our extreme assumption on information availability, they show that MLGSs can be characterized by matching in which only safe borrowers have an incentive to join the mutual society.

In a paper on "The Typology of Partial Credit Guarantee Funds Around the World" **.**(Thorsten Beck) [8] presents data on 76 partial credit guarantee schemes cross 46 developed and developing countries. Based on theory, the authors discuss

8. Thorsten Beck , Leora F Klapper &Juas Carlos Mendoza (2008), "The Typology of Partial Credit Guarantee Funds Around the World" the World Bank Development Group,http://siteresources.worldbank.org/INTFR/Resources/Beck-Klapper-Mendoza.pdf -

different organizational features of credit guarantee schemes and their variation across countries. They focus on the respective role of government and the private sector and different pricing and risk reduction tools and how they are correlated across countries. The findings show that government has an important role to play in funding and management, but less so in the risk assessment and recovery. Surprisingly here is a low use of risk-based pricing and limited use of risk management mechanisms. During the last decade, due to the combination of a generally stable macroeconomic environment, global liquidity, and better banking practices and technology across the globe, domestic credit to the private sector has been growing in most developing countries at rates higher than the gross domestic product (GDP).

PART - 4

COMPARATIVE ANALYSIS OF CREDIT GUARANTEE ACROSS THE WORLD

2.4.1 Comparative Analysis of International Credit Guarantee and Re-Guarantee Systems For SMEs

Today, over 2,250 credit guarantee schemes exist in a wide variety of forms in almost 100 countries, but most of them are small, local, weak and lack sustainability. This study, however, does not attempt to cover all schemes in the globe, but is an analytical review of the world's more important SME-oriented government guaranteed credit schemes, credit guarantee company systems, and re-guarantee schemes. It covers the regions of Europe, North America, Latin America, Australia/New Zealand, Southeast Asia and Northeast Asia. The study also specializes in a detailed analysis of the Japanese, South Korean and Taiwanese schemes as they are the world's strongest credit guarantee schemes (and in Japan and Korea's case, re-guarantee operations), and aspects of their models are relevant to China's credit guarantee industry in its current stage of development. This provides a comparative analysis of the more important SME-focused credit guarantee and re-guarantee systems in the world, drawing on data researched, collected and presented in a matrix form for easy comparison and analysis. It assesses and compares the structure of major credit guarantee and re-guarantee scheme, their ownership, legal/corporate status, regulatory and supervisory characteristics, capital funding, risk sharing with financial institutions (mainly banks), SME eligibility and maximum guarantee criteria, operational modalities and conditions (collateral, maximum mandatory multiplier levels, etc) and credit guarantee institution performance (SMEs serviced, proportion of SMEs receiving credit guarantees, average size of guarantees, multipliers achieved, subrogation rates etc). It provides a detailed descriptive outline of each of the more important credit guarantee and re-guarantee systems by region and country, and an analysis of the various forms of SME-oriented guarantee programs and companies and their operational modalities, including their strengths and weaknesses and key lessons and success factors.

International Comparative Analysis of Legal/ Corporate Structures And Regulatory/ Supervisory Arrangements.

Table 2.1 Credit guarantee and re guarantee institutions for SMEs

Country/ Region	Credit guarantee (CG) institutions for SMEs			Credit re- guarantee institutions		
	Institutions	**Legal/ Corporate Status**	**Regulatory/ Supervisory Arrangements**	**Type of CRGI Systems**	**Legal/ Corporate Status**	**Regulatory/ Supervisory Arrangements**
Japan	52 CG Companies under NFCGC (Japan National Fed in of CG Corp)	CGCs: Independent stateowned companies based at the perfectural and city level NGCGC: Non – profit association, estab. 1951, and funded by government. Inspected by Japan Board of Audit	CGCs: Operate unde the Japan Credit Guarantee Corporation Law, No. 196 (1953); supervised by Japan Financial Services Agency (FSA), through Regional Financial Bureaus in coord. With prefecture & City Govts.	1 national re-guarantee system (JASME/Japan Credit Supplementation system, estab 1958).	JASME: Financial Institution (State – owned, public policy-oriented)	Operates under the JASME Law, No. 138, 1953; supervised by Ministry of Economy, Trade and Industry/ SME Agency (mainly), and Ministry of Finance; inspected by Japan Board of Audit.
South Kerala	(1) KCGE (Korean Credit Guarantee Fund, renamed KODIT in 2006)	Independent state owned financial institution, with non-profit status, estab. 1974	Operates under the KCGF Act, 1974; supervised by Min. of Finance & Economy, Min of Planning & Budget & National Assembly & audited by Korea Board of Audit & Inspection	None	na.	na.

Country/ Region	Credit guarantee (CG) institution for SMEs)			Credit re-guarantee institutions (CRGI) for SMEs		
	Institutions	**Legal/ Corporate Status**	**Regulatory/ Supervisory Arrangements**	**Type of CRGI Systems**	**Legal/ Corporate Status**	**Regulatory/ Supervisory Arrangements**
South Korea	(2) KOTEC (Korea Tech Guarantee Fund, renamed KIBO in 2006)	As above, estab. 1989	Operates under the KOTEC Act, 1986, amended 7/2002, supervised as in KCGE above	None (its re – guarantee scheme was closed 2003)	na	na
	(3) KFCGE (Korea Fed'n of CG Foundations)	As above estab 2000	Operates under the KFCGE Act, 2000; supervised by Korean SME admin under the Ministry of Industry & Energy; audited as in KCGF above	1 re – guarantee sheme under KFCGF, servicing 16 local CG foundations	Independent state owned non – profit guarantee institution, estab. 2000	Operates under I KFCGF Act, 2000; supervises by Korean under the Ministry of Industry & Energy, audited in KCGF above
Taiwan	SMEG (Small & Medium Enterprise Credit Guarantee Fund)	Non-profit state owned legal entry	Estab. 1974 by the Excutive Yuan (Cabinet); operated under the Civil Code. Regulated since 2003 by the Ministry of Economic Affairs (MOEA/ SME Admin), & supervised by the Ministry – appointed SMEG Board of S'visors.	None	n.a.	n.a.

Country/ Region	Credit guarantee (CG) institution for SMEs)			Credit re-guarantee institutions (CRGI) for SMEs		
	Institutions	Legal/ Corporate Status	Regulatory/ Supervisory Arrangements	Type of CRGI Systems	Legal/ Corporate Status	Regulatory/ Supervisory Arrangements
Thailand	Thailand Small Industry Credit Guarantee Corp (national fund)	State – owned enterprise	Operates under the Thai Small Industry credit Guarantee Corporation Act, 1991; supervised by the Thai Ministry of Finance	None	na	na
Philippians	Small Business Guarantee & Finance Corp (National fund)	State – owned enterprise, estab. 1991	Operates under the Republic Act 6977 & 8289, attached to the Dept of Trade & Industry, & supervised by the SME Dev Council	None	na	na
USA	US SBA (Small Business Administration)	Independent agency & funding program of the US federal Government (Executive Branch)	Operates under the US Small Business Act, July 1953; supervised by US Office of Inspector General, Govt Accountability Office, & US Senate & House of Representative Cttee on Small Business	None	n.a.	n.a.

Country/ Region	Credit guarantee (CG) institution for SMEs)			Credit re-guarantee institutions (CRGI) for SMEs		
	Institutions	Legal/ Corporate Status	Regulatory/ Supervisory Arrangements	Type of CRGI Systems	Legal/ Corporate Status	Regulatory/ Supervisory Arrangements
Canada	Canadian Small Business Financing Program (CSBF)	Independent agency & funding program of the Canadian Federal Government (Ministry of Industry	Operates under the Canadian Small Business Financing Act, 1999; regulated by the Ministry of Industry, and audited by the Office of Auditor General of Canada	None	na	na
UK	UK Small Firms Loan Guarantee Scheme (SFLG)	Funding agency & national program the UK Govt. (Dept of Trade and Industry)	Regulatory legislation not available. Regulator is the Dept. of Trade & Industry. (DIT), & infrequent supervision is undertaken by DTI and Treasury	None	na	na
Germany	24 guarantee banks Burgschaftsbank Self - funded non profit credit institutions operating along mutual guarantee association (MGA)	Public limited liability company, with not – for profit status	Operates under the German Banking Law, the German Credit Institutions Act, Companies Act & Civil Code. Supervised by the German Financial Supervision. Auth	A Nationwide Federal & State Govt-funded risk compensation scheme providing re-guarantees to each of Germanys 24 Burgshafts hank	It is a scheme or program institution or entity	Operates under the German Banking Law, the German Credit Institutions Act, Companies Act and Civil Code. Supervised by the German Financial Auth.

Source: Asian Development Bank, Technical Assistance Consultant's Report . Project Number: 36024 (TA 4350-PRC), January 2007

2.4.2 Risk-sharing between credit guarantee institutions and financial institutions

Almost all major foreign SME credit guarantee institutions and SME loan guarantee funds with the exception of Japan currently provide credit guarantees to SMEs under risk sharing arrangements with financial institutions (mainly banks), with credit guarantee risk sharing ratios varying between 70-90% and financial institutions varying between 10- 30%. In the majority of cases, the rates are in the range of 70-80%, but certain policy programs do exist where 100% risk-sharing is undertaken – e.g. in Taiwan and Thailand. Risk sharing can also be as low as 20-50% as in Italy, and 45-70% as in France, but such MGA-based loan guarantees are also very small, only a fraction of the size of SME guarantees provided in Asia and North America. Japan, which accounts for half of all capital invested in the world's credit guarantee industries, has been providing for over 50 years 100% credit guarantees to SMEs, which means that Japanese banks do not share any risks and do not take any collateral, benefiting from a "free ride" in lending to SMEs. This is about to change under current reform policies, however, as Japan will introduce risk sharing with banks in 2006 at levels between 80-95%. Japan's re-guarantee agency, Japan finance corporation for Small & Medium Enterprises (JASME), also provides re-guarantee services to credit guarantee companies under risk sharing arrangements of between 70 and 90% of the subrogated amount, at a re-guarantee fee of 0.87% p.a.

2.4.3 SME credit guarantee eligibility and maximum guarantees

All international credit guarantee institutions (with the exception of China) are heavily *small enterprise* scale policy-oriented, where national laws and regulations specifically focus on smaller scale SMEs or micro and small enterprises. They specify maximum loan amounts, specify strict criteria on SME and small enterprise eligibility, and deliberately focus most funding towards the lower end of the SME market – the small scale enterprise – where the needs are greatest.

The criteria commonly used to determine eligibility is based on enterprise size in the form of maximum paid-up capital, maximum retail or wholesale sales or maximum number of employees, or a combination of at least two, and in some Asian regions citizenship or majority national ownership requirements (eg. Thailand, Philippines and Taiwan) have been added. The criteria scale used to determine eligibility, however, varies greatly among foreign credit guarantee institutions (maximum annual sales are $ 4 million in Canada, $ 5.2-8.7 million in the UK (depending if services/retail or manufacturing, respectively), and $ 6-29 million in the US depending on category, and even among economic sectors (manufacturing employment criteria is less than 500)

Table 2.2 Comparative Performance data

Country / Region	Credit Guarantee Systems; Comparative Performance Data 2004 Latest Available Year							
	Credit Guarantee	**Number of SMEs receiving guarantees**	**% of SMEs receiving credit guarantees**	**Average size of credit guarantee**	**Capital Funds (SUS)**	**Mu ltipl ier**	**Subrogation Rate**	**Tax Status**
USA	US SBA (Small Business Administration)	67.306	<1.0%	$167.000	Govt. funded program	na	4.8%	Tax exempt
Canada	Canadian Small Business Financing Program	100.00	6.5%	$68,000	Govt. funded program	na	2.76% (net loss 1.52%)	Tax exempt
UK	UK Small Firms Loan Guarantee Scheme(SFLG)	5,966	<0.1%	$88,000	Govt. funded program	na	30-35%	Tax exempt
Germany	24 guarantee banks – Burgshaftsbank	42,800	1.1%	$250,000	$ 390 million	175	3.0%	Tax exempt
Italy	950 MGAs	1,150,000	75%	$8,850	$1,730 million	4.25	46-63%	Tax exempt, most pay income tax
France	SOFARIS (managing 10 MGA funds)	30,000	7.5%	$8,850	$1,730 million	4.25	46-65%	Tax Exempt
Spain	CGR (Spanish Confederation of MGAs)	69.010	2%	$24,000	$450million	$4	Not available	Tax exempt

Table 2.3 Outstanding Corporate Loan and SME Loan

Item	1999.12	2000.12	2001.12	2002.12	2003.12	2004.12	2005.12
Total Loan(A)	9,373	9,937	11,231	13,129	15,900	17,736	19,469
Consumer Loan(B)	164	423	699	1,068	1,578	2010	2,210
Agricultural Sector (C)	479	489	571	689	841	984	1,153
Trust Loans (D)	250	241	250	217	228	189	313
Other Loans (E)	337	328	325	623	965	1,193	1,666
Corporate Loan (F=A-B-C-D-E)	8,143	8,456	9,386	10,532	12,288	13,360	14,127
Increase Rate of Corporate Loan	-	3.8	11.0	12.2	16.7	8.7	5.8
SME Loan (=F* 51.7%)	4,210	4,371	4,853	5,445	6,353	6,907	7,304
SME Loan to Total Loan (%)	44.9	44.0	43.2	41.5	39.9	38.9	37.5

Source: 1 Sources and Use of Credit Funds of Financial Institutions, Peoples Bank of China
2 China Monetary Policy Report, People's Bank of China (2006)

2.4.4 Small Business Association in US

Steve Preston, Administrator – US Small Business Administration in Annual report for fiscal year 2007 of Small Business Association of US- Office of Small Entrepreneurial Development says that Americas corporate Icons Intel, Apple, Staples, FedEx, Nike etc., received assistance from SBA in their early days. The U.S. Small Business Administration (SBA) was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation. Since its inception on July 30, 1953, the U.S. Small Business Administration has disbursed about 20 million loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses. The SBA was officially established in 1953, but its philosophy and mission began to take shape years earlier in a number of predecessor agencies, largely as a response to the pressures of the Great Depression and World War II. The Reconstruction Finance Corporation (RFC), created by President Herbert Hoover in 1932 to alleviate the financial crisis of the Great Depression, was SBA's grandparent. The RFC was basically a federal lending program for all businesses hurt by the Depression, large and small. It was adopted as the personal project of Hoover's successor, President Franklin D. Roosevelt, and was staffed by some of Roosevelt's most capable and dedicated workers. Concern for small business intensified during World War II, when large industries beefed up production to accommodate wartime defense contracts and smaller businesses were left unable to compete. To help small business participate in war production and give them financial viability, Congress created the Smaller War Plants Corporation (SWPC) in 1942. The SWPC provided direct loans to private entrepreneurs, encouraged large financial institutions to make credit available to small enterprises, and advocated small business interests to federal procurement agencies and big businesses. The SWPC was dissolved after the war, and its lending and contract powers were handed over to the RFC. At this time, the Office of Small Business (OSB) in the Department of Commerce also assumed some responsibilities that would later become characteristic duties of the SBA. Its services were primarily educational. Believing that a lack of information and expertise was the main cause of small business failure, the OSB produced brochures and conducted management counseling for individual entrepreneurs. We recognize that small business is critical to our economic recovery and strength, to building America's future, and to helping the United States compete in today's global marketplace. Although SBA has grown and evolved in the years since it was established in 1953, the bottom line mission remains the same. The SBA helps Americans start, build and grow businesses. Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services to people throughout the United States, Puerto Rico, the U. S. Virgin Islands and Guam. Various efforts are being initiate to enhance the coverage of SBA to boost small business lending in US. Addressing a gathering of small-business owners, community banking executives and lawmakers at the

White House, President Barack Obama and Treasury Secretary Timothy Geithner have outlined a plan to free up credit for the nation's struggling small businesses by raising federal loan guarantees and bolstering bank liquidity stating that "Small businesses are one of the biggest drivers of employment "This is going to be a first step" of a continuing effort to help small business. The Small Business Administration currently guarantees payment on 85 percent of a loan up to $150,000, and as much as 75 percent on loans of more than $150,000While the Small Business Administration typically guarantees $20 billion a year in loans, new lending is on track to fall below $10 billion this year, according to administration officials. The plan to use between $10 billion and $20 billion to unlock frozen credit markets for SBA loans will help banks become more liquid and spur lending to small businesses. (Christina Romer, 2010)[9]

2.4.5 International Literature

Tarun Khanna of Harward Business School says entrepreneurship in the world's two most populous nations, China and India, has through modern times been somewhat asleep. Now both societies "have woken up," and people in these societies are running faster than their rules and laws can keep up. As a consequence, they are creating the rules as they go along. And entrepreneurship is, after all, doing things in new ways, ahead of social norms and customs," (Khanna, 2008).[10] Therefore MSE lending have special significance in these countries to cope up with the fast changing scenario.

Muhammad Yunus, winner of 2006 Nobel Peace prize and founder of the micro credit movement Lifting People Worldwide out of Poverty says poor people are credit worthy, and this is demonstrated by big failures of rich people across the world when repayment in micro credit is improving the world over. It is

9 Christina Romer "Small Business are the engine of growth in the economy" – Bloomberg – Newyork – 2010

10 Tarun Khanna (2008) Billions of Entrepreneurs in China and India, Harvard Business School, Working knowledge http://hbswk.hbs.edu/item/5766.html

the poor who are more credit worthy than the other category of people, because microcredit programs all over the world still function very well. Their repayment is very high, whereas the big banks and their big lending operations do [near] collapse. They are falling down(Yunus, 27.5.2009)[11]

2.4.6 Social Capital: Micro and Small Enterprises and Poverty Alleviation in East Africa. Mary Njeri Kinyanjui, Meleckidzedeck Khayesi, (2006) | Organisation for Social Science Research, Ethiopia [12]

This book, based on an extensive review of literature and fieldwork, contributes to the growing discourse on social capital by examining its use as a strategy for an entry and stay in trade, manufacturing, transport and micro and small enterprises in East Africa. A social capital model in formulated and tested. The book shows how social capital has been articulated and utilized through networks, relationships, norms, values and actions to facilitate entry and stay in these enterprises. The book provides details on how entrepreneurs constantly construct their social capital and evolve business logic and practice that is used in business transactions. The book does not only focus on theory and empirical findings but also derives lessons for poverty-alleviation strategies. It reveals that there are limitations to the application of social capital when it comes to interaction and conflict between different stakeholders in transport enterprises. The political economy model was found to be appropriate in such a case, indicating that the social capital model can be used in combination with other theoretical frameworks

[11] *Muhammad Yunus(2009): Lifting People Worldwide out of Poverty, Published: May 27, 2009 in Knowledge@Wharton, http://knowledge.wharton.upenn.edu/article. cfm?articleid =2243*

[12] Mary Njeri Kinyanjui, Meleckidzedeck Khayesi, (2006) Social Capital, Micro and Small Enterprises and Poverty Alleviation in East Africa. | Organisation for Social Science Research, Ethiopia(OSSREA) PUBLICATIONS, http://publications,ossrea. net/index. php?option=content&view=article&id=127

2.4.7 Finance For Small Enterprise Growth And Poverty Reduction In Developing Countries, Journal of International Development (2006)[13]

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This paper examines the ways in which financial sector development policy might contribute to poverty reduction, particularly by supporting the growth of micro and small enterprises (MSEs). Specifically, the paper draws on case studies and empirical work on the changing role of MSEs in the development process and the access of MSEs to informal and formal finance, including the role of microfinance. A number of research priorities relating to the links among financial policy, small enterprise development and poverty reduction are identified for the immediate attention of researchers engaged in contributing to the achievement of the Millennium Development Goal (MDG) of halving global poverty by 2015.

2.4.8. Financing constraints are one of the biggest concerns impacting potential entrepreneurs around the world. Given the important role that entrepreneurship is believed to play in the process of economic growth, alleviating financing constraints for would-be entrepreneurs. [14]

2.4.9. How do financing constraints on new start-ups affect the initial size of these new firms? Since bank debt comprises the majority of U.S. firm borrowings, new ventures are especially sensitive to local bank conditions due

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[13] Christopher J. Green,, Colin H. Kirkpatrick,and Victor Murinde,(2006) Finance for Small Enterprise Growth and Poverty Reduction in Developing Countries, Journal of International Development J. Int. Dev. 18, 1017–1030 (2006) Published online in Wiley InterScience (www.interscience.wiley.com) http://info.worldbank.org/etools/docs/ library/ 239950/ Murinde_Reading_GKM-JID-article.pdf

[13] Ramana Nanda & William R.Kerr-(2009)“Financing Constraints & Entrepreneurship”- Working Paper – Harvard Business School – August 2009, http://hbswk.hbs.edu/ faculty/rnanda.html

to their limited options for external finance. Liberalization in the banking sector can thus have important effects on entrepreneurship. As HBS professors William Kerr and Ramana Nanda explain, how U.S. branch banking deregulations impacted the entry size of new start-ups .[15]

2.4.10. Who you know and how much money is in your pocket have always been significant contributors to entrepreneurial success. New research by Harvard Business School professor Ramana Nanda. [16]

2.4.11. Entrepreneurs are, on average, significantly wealthier than people who work in paid employment. Research shows that entrepreneurs comprise fewer than 9 percent of households in the United States but they hold 38 percent of household assets and 39 percent of the total net worth. This relationship between personal wealth and entrepreneurship has long been seen as evidence of market failure, meaning that talented but less wealthy individuals are precluded from entrepreneurship because they don't have sufficient wealth to finance their new ventures.[17]

From the above discussion it could be clearly seen the added significance given for the development and growth of SME the world over. As an emerging economy the role MSME in India for the economic and social development of the country is well established. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of its exports. The MSMEs provide employment to about 60 million persons through 26 million enterprises. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries.

15 Ramana Nanda & William R.Kerr (2009) "Banking Deregulations, Financing constraints & Firm Entry Size" – Harvard Business School – Working Paper

16 Ramana Nanda (2008)– "Encouraging Entrepreneurs: Lessons for Govt Policy" – Harvard Business School – Research & Ideas- March 10 2008

17 Ramana Nanda(2008)- "Cost of External Finance and Selection into Entrepreneurship" – Harvard Business School – Working Paper 30.1.2008

The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for the national objectives of growth with equity and inclusion.

PART - 5

HOW CREDIT GUARANTEE IS OPERATED IN INDIA.

2.5 Indian Scenario

2.5.1 Origin of Credit guarantee in India

The Government of India, in consultation with the Reserve Bank, introduced a credit guarantee scheme in July 1960. The Reserve Bank was entrusted with the administration of the scheme, as an agent of the Central Government, under Section 17 (11 A)(a) of the Reserve Bank of India Act, 1934 and was designated as the Credit Guarantee Organization (CGO) for guaranteeing the advances granted by banks and other credit institutions to small scale industries. The Reserve Bank operated the scheme up to March 31, 1981. The Reserve Bank also promoted a public limited company on January 14, 1971, named the Credit Guarantee Corporation of India Ltd. (CGCI). The credit guarantee schemes introduced by the Credit Guarantee Corporation of India Ltd., aimed at encouraging the commercial banks to cater to the credit needs of the hitherto neglected sectors, particularly the weaker sections of the society engaged in non-industrial activities, by providing guarantee cover to the loans and advances granted by the credit institutions to small and needy borrowers covered under the priority sector as defined by the RBI. With a view to integrating the functions of deposit insurance and credit guarantee, the two organizations, the DIC and the CGCI, were merged and the Deposit Insurance and Credit Guarantee Corporation (DICGC) came into existence on July 15, 1978. "The Deposit Insurance Act, 1961" was thoroughly amended and it was renamed as "The Deposit Insurance and Credit Guarantee Corporation Act, 1961"[18]

[18] DICGC(2009) Annual Report, An overview of DICGC, Section 2, Page 1.

With effect from April 1, 1981, the Corporation extended its guarantee support to credit granted to small scale industries also, after the cancellation of the Government of India's credit guarantee scheme. With effect from April 1, 1989, guarantee cover was extended to the entire priority sector advances. As on March 31, 2009, no credit institution was participating under any of the Credit Guarantee Schemes of the Corporation and no claim was received during the year 2008-09 under any of the credit guarantee schemes of the Corporation.

Table 2.4 Credit Guarantee Schemes for Small Scale Industries and Small Borrowers* in India (1981 to 1987 and 1988-1989 to 2003-2004)

(No. in ' 000, Amount : Rs. in Crore)

Year (As at end-March)	Credit Guarantee Scheme and Guarantee Cover for Small Scale Industries					Credit Guarantee Scheme Relating to Small Borrowers			
	Claims Received		Claims Disposed off		Total Guaranteed Advances	Claims Received		Claims Disposed off	
	No.	Amount	No.	Amount		No.	Amount	No.	Amount
1981	1	2	-	-	3716	-	-	-	-
1982	4	9	31	2	-	1509	25	1055	15
1983	9	33	7	13	-	147	28	127	20
1984	18	54	10	14	-	255	62	237	32
1985	22	72	23	25	-	454	115	467	114
1986	34	105	30	67	-	630	141	644	176
1987	45	132	40	88	-	1071	255	767	148
1988-89	94	217	81	157	10465	1528	364	1291	281
1989-90	75	193	102	368	14094	1503	356	1599	347
1990-91	84	244	76	249	16826	2088	505	1901	427
1991-92	78	217	81	256	17362	1652	410	1591	360
1992-93	130	260	118	243	19162	3681	883	2492	566
1993-94	144	323	123	288	15503	4673	1168	3359	1026
1994-95	190	379	193	409	14177	4793	1348	3912	1100
1995-96	191	524	155	308	13847	6265	1841	3510 @	1031 @
1996-97	118	270	101	292	11271	5997	1842	1312	403
1997-98	32	120	52	221	3376	541	184	1179	401
1998-99	14	34	44	225	2813	757	218	4245	1188
1999-00	14	26	71	139	39	889	219	4536	1195
2000-01	3	14	17	54	5	75	22	679	171
2001-02	1	1	4	5	1	-	-	5	1
2002-03	2	-	2	1	-	-	-	-	-
2003-04	-	-	-	-	-	-	-	-	-

Source : Reserve Bank of India.(Figure for 2003-04 onwards, is nil, as all banks have discontinued participating in the scheme)

Following the modification in the terms and conditions of the Credit Guarantee Scheme in April 1995, number of banks participating in this scheme gradually started declining. Since 2003-04, no bank was participating in this scheme. The corporation is, therefore, not operating these schemes now.

2.5.2 SSIs in India

An understanding about what constitute a Small Scale Industry in India, is essential for a meaningful discussion of the topic. Over a period of time the official definition of SSI have changed substantially.. Investment in Plant & Machinery is the yardstick based on which industries are classified.

Table 2.5 SSI Definition

(1950, 1960, 1966, 1975, 1980, 1985, 1991, 1997 to 1999 & 2001)		
Year	**Investment Limits**	**Additional Conditions**
1950	Upto Rs. 5 Lakh in fixed assets	Less than 50/100 persons with or without power
1960	Upto Rs. 5 Lakh in fixed assets	No Condition
1966	Upto Rs. 7.5 Lakh in Plant & Machinery	No Condition
1975	Upto Rs. 10 Lakh in Plant & Machinery	No Condition
1980	Upto Rs. 20 Lakh in Plant & Machinery	No Condition
1985	Upto Rs. 35 Lakh in Plant & Machinery	No Condition
1991	Upto Rs. 60 Lakh in Plant & Machinery	No Condition
1997	Upto Rs. 300 Lakh in Plant & Machinery	No Condition
1998	Upto Rs. 1 Crore in Plant & Machinery	No Condition
1999	Upto Rs. 100 Lakh in Plant & Machinery*	No Condition
2001	Upto Rs. 100 lakh in Plant & Machinery*	No Condition

Source: Ministry of SSI, Govt. of India 2002.

With effect from October 2001, the investment ceiling in Plant & Machinery in respect of 41 items covering two broad groups of Hosiery & Hand Tools has been enhanced to Rs. 500/- Lakh.

Table 2.6 Investment limit for different type of industries/ units/ establishment

Year	SSI	ANC	TINY	EOU	SSSE	SSSBE	Remarks
1950	Gross Investment in Fixed Assets: not Exceeding Re. 0.5 Million	Did not exit	Did not exit	Did not exit	Did not exit	Did not exit	Employment less than 50 Workers Per Day (with the Use of Power) or Less than 100 Workers Per Day (Without the Use of Power)
1958	Gross Investment in Fixed Assets: Less than Re. 0.5 Million	-	-	-	-	-	Employment less than 50 Workers Per Day (with the Use of Power) or Less than 100 Workers Per Day (Without the Use of Power) except that the Criteria based on the employment 'per day' was henceforth replaced by a 'per shift' provision
1959	Gross Invesment in Fixed Assets: Value of Machinery (Original)	-	-	-	-	-	Employment less than 50 Workers Per Day (with the Use of Power) or Less than 100 Workers Per Day (Without the Use of Power) except that the Criteria based on the employment 'per day' was henceforth replaced by a 'per shift' provision
1960	Gross Investment in Fixed Assets: Value up to Re. 0.5 Million	Value of Gross Fixed Assets up to Re. 1 million	-	-	-	-	The employment condition was dropped from the definition
Original Value of Plant & Machinery Only							
1966	Up to Re. 0.75 million	Up to Re. 1 million	-	-	-	-	-
1975	Up to Re. 1 million	Up to Re. 1.5 million	-	-	-	-	-
1977	Up to Re. 1 million	Up to Re. 1.5 million	Up to Re. 0.1 million	-	-	-	*Units located in rural areas/towns with a maximum population of 50,000 (as per the 1971 census).
1980	Up to Rs. 2 million	Up to Rs. 2.5 million	Up to Re. 0.2 million**	-	-	-	** Units located in rural areas/towns with a maximum population of 50,000 (as per the 1981 census)
1985	Up to 3.5 million	Up to Rs. 4.5 million	Up to Re. 0.2 million***	-	Up to Re. 0.2 million***	-	***Units located in rural areas and towns with a maximum population of up to 0.5 million (as per the 1981 census)
1991	Up to Rs.6 million	Up to Rs. 7.5 million	Up to Re. 0.5 million@	Up to Rs. 7.5 million	(b)	Up to Re. 0.5 million@	@ The location-specific condition was withdrawn (b) The SSSEs classification was suspended in 1991 and replaced by the term 'SSBEs'
1997	Up to Rs. 30 million	Up to Rs. 30 million	Up to Rs. 2.5 million	Up to Rs. 30 million	-	Up to Re. 0.5 million	-
1999	Up to Rs. 10 million	Up to Rs. 10 million	Up to Rs. 2.5 million	Up to Rs. 10 million	-	Up to Re. 0.5 miiion	-

(Source Compiled from the statistics released by : SIDBI Report on Small Scale Industries Sector 2000
Abbr. : SSI-Small Scale Industry. ANC : Ancillary Industry. TINY : Tiny Unit. EOU : Export Oriented Unit.
SSSE : Small Scale Service Establishment SSSBE : Small Scale Service & Business (Industry Related) Enterprise.)

Table 2.7 Credit flow to the micro enterprise and MSE sectors from the public sector Banks

	As at the end of March									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	***2008(P)**	***2009(P)**
Net Bank Credit (NBC)	3,16,427	3,41,291	3,96,954	4,77,8999	5,58,849	7,18,722	10,17,614	13,17,705	13,64,268	16,93,437
Credit to MSEs	46,045	48,400	49,743	52,988	58,278	67,634	82,492	1,04,703	1,48,651	1,85,208
MSE Credit as Percentage of NBC	14,6	14,2	12,	11,	10,4	9,4	8,1	8,0	10,9	10,9
Credit to micro enterprises	24,742	26,019	27,030	26,937	30,826	34,315	33,314	44,311	66,702	83,945
Micro Enterprises Credit as Percentage of NBC	7,8	7,6	6,8	5,6	5,5	4,8	3,3	3,4	4,9	4,9

Source: Report of Prime Ministers Task Force on MSME, Govt of India, Annexure VI, Page 59 – January 2010

From the table , it could be seen that the share of Micro Enterprises credit as percentage of NBC came down from 7.8% to 3.3% in 2006. The MSE credit also came down from 14.6% of Net Bank Credit in 2000 to 8.1% of Net Bank Credit for 2006, showing neglect of SME and more particularly MSE. During the past, several Committees / Study Groups had looked into issues relating to MSMEs. These, inter alia, include: (i) Committee to Examine the Adequacy of Institutional Credit to SSI Sector under the Chairmanship of Shri P. R. Nayak, the then Deputy Governor (1991); (ii) ‘Expert Committee on Small Enterprises’ under the chairmanship of Shri Abid Hussain, Former Member, Planning Commission (1995); (iii) High Level Committee on Credit to SSI under the chairmanship of Shri S.L. Kapur, Member, Board for Industrial and Financial Reconstruction (BIFR), Former Secretary (SSI and ARI), Government of India (1998); (iv) ‘Study Group on Development of Small Scale Enterprises’ under the chairmanship of Dr. S.P. Gupta, the then Member, Planning Commission (1999); (v) Working Group on Flow of Credit to SSI Sector under the chairmanship of Dr. A.S. Ganguly (2003); and (vi) Working Group on ‘Rehabilitation of sick SMEs’ under the chairmanship of Dr. K. C. Chakrabarty, the then Chairman & Managing Director, Punjab National Bank (2007). The Government had also constituted the National Commission for Enterprises in the Unorganised Sector (NCEUS) in September 2004 to examine the problems confronting enterprises in the unorganised sector and make appropriate recommendations to provide technical, marketing and credit support to the enterprises. The NCEUS submitted eleven reports. Despite social control, nationalization, directed/priority sector stipulations & collateral free mandated lending, the credit was not picking up for SSI and Small borrower (Now Micro &Small enterprises), based on which several studies / working groups has been set up by regulator to go into the specific reasons for the slow growth of credit to MSE despite several encouragement / compulsions to bankers. These working groups mostly appointed by the regulator have done extensive studies to ascertain the problems faced by MSE segments, and ways and means to come out of the problems identified. Any study on MSE will not be meaningful without undergoing through all these relevant studies, which has shaped the MSE in the form what it is today. A brief write up on the recommendations made by these committees are given below:

2.5.3 Expert Committee on Small Enterprises (1995)[19]

The 'Expert Committee on Small Enterprises' constituted under the chairmanship of Shri Abid Hussian, Former Member, Planning Commission, to address the need for reforms in the existing policies and design new policies for MSME development to facilitate the growth of viable, agile and efficient enterprises responsive to technological change and international competition recommended that the concept of Small Scale Sector should be widened to include small scale business and service enterprises (which is now implemented with the enactment of MSME Act 2006 incorporating service enterprise under the purview of MSME).

2.5.4 Study Group on Development of Small Scale Enterprises (1999)[20]

The 'Study Group on Development of Small Scale Enterprises' set up under the chairmanship of Dr. S.P. Gupta, the then Member, Planning Commission in May 1999, inter alia, to examine the existing policies & programmes for SSI development, etc.,has among other things recommended setting up of targets for tiny and SSI units for credit from banks and FIs under priority sector lending and extension of Credit Guarantee Fund Scheme with a corpus of Rs.2500 crore

2.5.5 Committee to Examine the Adequacy of Institutional Credit to SSI Sector(1991)[21]

The Committee was constituted by Reserve Bank of India in December 1991 under the Chairmanship of Shri P. R. Nayak, the then Deputy Governor

19 Abid Hussain(1997), Report of the Expert Committee on Small Enterprises, http://dcmsme.gov.in/publications/comitterep/abid.htm

20 Dr.S.P.Gupta (1999), "Study Group on Development of Small Scale Enterprises" http://www.laghu-udyog.gov.in/sido/boardmeeting/46/agendaIV.htm

21 Nayak Committee (1991), Committee to Examine the Adequacy of Institutional Credit to SSI Sector, http://dcmsme.gov.in/publications/comitterep/nayak.html

to examine the issues related to the matter of SSI finance has recommended among other thins to give preference to village industries, tiny industries and other small scale units in that order, while meeting the credit requirements of the small scale sector; and grant working capital credit limits to SSI units computed on the basis of minimum 20% of their estimated annual turnover whose credit limit in individual cases is up to Rs.2 crore [since raised to Rs.5 crore.)

2.5.6 High Level Committee on Credit to SSI (1998)[22]

The Governor, RBI appointed a One-Man Committee under the Chairmanship of Shri S.L. Kapur, Member, Board for Industrial and Financial Reconstruction (BIFR), Former Secretary (SSI and ARI), Government of India, to look into various problems, to credit flow to SSI sector and suggest appropriate measures for their redressal. These recommendations were examined by the RBI and most of the recommendations were accepted. Some of the major recommendations accepted are:

Delegation of more powers to branch managers to grant ad-hoc limits, Simplification of application forms,Freedom to banks to decide their own norms for assessment of credit requirements; ,Opening of more specialised SSI branches; ,Enhancement in the limit for composite loans to Rs. 5 lakh (*since enhanced to Rs.1 crore);* ,Strengthening the recovery mechanism; vii) Banks to pay more attention to the backward states; ,Special programmes for training branch managers for appraising small projects:, Banks to make customers grievance machinery more transparent and simplify the procedures for handling complaints and monitoring thereof, Framing a separate law for small enterprises; ,According SIDBI the role and status of the nodal/coordinating agency for financing of small enterprises; ,Publicity to the Margin Money Scheme of the

[22] SL.Kapur Committee (1998), High Level Committee on Credit to SSI, RBI circular: RPCD. PLNFS.No.BC.22/06.02.31(ii)/98-99 http://dcmsme.gov.in/publications/ circulars/ rbicirculars8. html

KVIC; xiii) Simplification and rationalization of loan application forms; xiv) Promotion of SSI cluster level activities and facilities.

2.5.7 Working Group on Flow of Credit to SSI Sector (Ganguly Committee)(2003)[23]

As per the announcement made by the Governor, Reserve Bank of India, in the Mid-Term Review of the Monetary and Credit Policy 2003-2004, a “Working Group on Flow of Credit to SSI sector” was constituted under the Chairmanship of Dr. A.S. Ganguly. The Committee made 31 recommendations covering wide range of areas pertaining to financing of SSI sector.

The major recommendations commended to banks for implementation are as under:

a) adoption of cluster based approach for financing MSME sector;
b) sponsoring specific projects as well as widely publicising successful working models of NGOs by Lead Banks which service small and tiny industries and individual entrepreneurs;
c) sanctioning of higher working capital limits by banks operating in the North East region to SSIs, based on their commercial judgement due to the peculiar situation of hilly terrain and frequent floods causing hindrance in the transportation system;
d) iv) exploring new instruments by banks for promoting rural industry and to improve the flow of credit to rural artisans, rural industries and rural entrepreneurs, and
e) revision of tenure as also interest rate structure of deposits kept by foreign banks with SIDBI for their shortfall in priority sector lending etc.,

[23] **Ganguly committee (2003), Report of The Working Group on Flow of Credit to SSI Sector,** http://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/53524.pdf

2.5.8 National Commission for Enterprises in the Unorganised Sector (NCEUS)(2004)[24]

The Government of India constituted National Commission for Enterprises in the Unorganised Sector (NCEUS) in September 2004 to examine the problems confronting enterprises in the unorganized sector and make appropriate recommendations to provide technical, marketing and credit support to the enterprises.

2.5.9 In report on 'National Policy on Urban Street Vendors' (2004):[25]

The Prime Minister'sOffice requested the NCEUS to examine and comment on the National Policy on Urban Street Vendors prepared by the Ministry of Housing & Urban Poverty Alleviation in early 2004. The Commission has identified a number of issues relating to urban street vendors in India including the implications of local administration laws, social security issues, penal clause under different laws, credit issues, etc.

2.5.10 The reports on 'Financing of Enterprises in the Unorganised Sector' and 'Creation of a National Fund for Unorganised Sector: (2004)[26]

The report has examined in detail the status of financing to this sector and deals with the deficiencies in institutional infrastructure, constraints in financing this sector and provides a set of comprehensive recommendations. These, inter alia, include revising Priority Sector Lending Guidelines to earmark 12% of Net Bank Credit (NBC) for micro enterprises, providing Adequate Safety Nets to the Banks by undertaking modifications in Credit Guarantee Scheme, each bank branch (of commercial, RRBs, co-operative) may fix annual targets of new accounts of non-farm unorganised sector enterprises etc.,

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[24] National Commission for Enterprises in the Unorganised Sector (NCEUS)(2004) http://msme.gov.in/Chapter%208-Eng_200708.pdf

[25] 'National Policy on Urban Street Vendors'(2004): http://mhupa.gov.in/policies /natpol.htm

[26] National Commission for Enterprises in the Unorganised Sector (NCEUS)(2004), http://msme.gov.in/Chapter%208-Eng_200708.pdf

2.5.11 Working Group on 'Rehabilitation of sick SMEs' (2008)[27]

A Working Group was constituted under the chairmanship of Dr. K. C. Chakrabarty, Chairman and Managing Director, Punjab National Bank to suggest measures for improving credit flow to the SME sector as well as measures for early implementation of rehabilitation/nursing of sick SME units by examining feasibility of bringing in additional capital through alternative routes, such as, equity participation, venture financing, etc. The Working Group held wide ranging discussions with the stakeholders, namely, industry associations, banks and Government agencies. The Working Group submitted its report on April 17, 2008.

The Working Group has given various recommendations/ measures/ actions, which need to be taken by banks, NABARD, SIDBI, RBI and State Government for enhancing credit flow to the SME sector as well as for early implementation of rehabilitation/nursing of sick SME units. As an incentive for proper restructuring package at the time of rehabilitation, necessary support for business restructuring, modernisation, expansion, diversification and technological up gradation as may be felt necessary by the lenders may also be encouraged. Support schemes like Credit Linked Capital Subsidy Scheme in case of units in other (than rural) areas, KVIC Margin Money Scheme (for units in rural areas) may be extended for rehabilitation packages also.

2.5.12 Confederation of Indian Industry study (2007)[28]

The launch of Visionary SMEs programme for future Hondas and Toyotas should encompass, the establishment of the SME exchange ,the promotion of Climate friendly energy technologies the implementation of the MSMED Act at state levels,. Single window of information, FDI in SME

27 Dr. K. C. Chakrabarty(2008), Working Group on 'Rehabilitation of sick SMEs' (2007), http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=18216

28 Confederation of Indian Industry(2007), 19th Business Outlook Survey For Micro, Small & Medium Enterprises (MSMEs),PART II – General Business Prospects

sector with improved Information & Communication Technology (ICT) , capacity building , enactment of the Limited Liability Partnership (LLP) Act , integrating MSME with the Global Value Chains (GVCs) & finally a state of art virtual market place in a holistic eco-system where SMEs and their supporting institutions would participate for problem solving, the study says .

2.5.13 Prime Minister's task force on MSME (2010)[29]

A High Level Task Force was constituted by the Government of India (Chairman: Shri T.K.A. Nair) to consider various issues raised by micro, small and medium enterprises (MSMEs) and draw up an agenda for action. The Task Force submitted its Report on January 30, 2010 to the Government of India. The Task Force recommended several measures having a bearing on the functioning of MSMEs, viz., credit, marketing, labor, exit policy, infrastructure/technology/skill development and taxation. In particular, it recommended that: (i) all scheduled commercial banks should achieve a 20 per cent year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow; (ii) any shortfall in the achievement of sub-target of 60 per cent for lending to micro enterprises of the total advances granted to the micro and small enterprises, would also be taken into account for the purpose of allocating amounts for contribution to rural infrastructure development fund (RIDF) or any other Fund with other financial institutions as specified by the Reserve Bank, with effect from April 1, 2010; and (iii) all scheduled commercial banks should achieve a 15 per cent annual growth in the number of micro enterprise accounts.

2.5.14 ASSOCHAM Study April (2010)[30]

The recent study conducted by ASSOCHM reveals that banks are skeptical towards the genuine credit needs of the sector , which is causing

[29] TKA Nair (2010), Prime Ministers Task force on MSME, http://msme.gov.in /PM_ MSME_Task_Force_Jan2010.pdf

[30] ASSOCHAM Study April (2010), http://www.assocham.org/prels/printnews.php?id=2387

under utilization of capacity utilization and thrusting enterprises to sickness. The study has revealed that MSEs are running below capacity due to fund shortage. Nearly 75 % of Small and Medium enterprises attribute their sickness and lower capacity utilisation to poor availability of funds, the report said that the banking sector is skeptical about extending credit to them. ASSOCHAM has called for setting up a separate fund for the micro and small enterprises sector to ensure better flow of finances to them, as most of these units are able to utilise only 70 per cent of their capacity for want of funds. The report adds that such a fund should be utilised exclusively for lending to micro enterprises." As many as 92 per cent of all units remained dependent on personal and family savings and even borrow money from friends and relatives at higher rates of interest to ensure their survival," it said.

2.5.15 V. K. Sharma(2010),RBI working group[31]

Mandatory doubling of the limit for collateral free loans to micro and small enterprises (MSEs) sector to Rs.10 lakh from the present Rs. 5 lakh, increase in the extent of guarantee cover, absorption of guarantee fees for the collateral free loans by CGTMSE subject to certain conditions, lower guarantee fees for women entrepreneurs and enterprises in the North-East, simplification of procedure for filing claims with CGTMSE and increasing awareness about the scheme are some of the recommendations of the Working Group set up to review the Credit Guarantee Scheme of the Credit Guarantee Fund Trust. The setting up of the Working Group was announced in the (paragraph 114) Annual Policy statement for 2009-10. The Report was released by the Hon’ble Finance Minister Shri Pranab Mukherjee on March 6, 2010 as part of the Platinum Jubilee celebrations of the Reserve Bank.

[31] V. K. Sharma(2010), Report of the Working Group to Review the Credit Guarantee Scheme of the Credit Guarantee Fund Trust for Micro and Small Enterprises, http://www.rbi.org.in/scripts/PublicationReportDetails.aspx?UrlPage=&ID=585

Indian Literature on Micro & Small Enterprises

2.5.16 Micro and Small Enterprises in India -The Era of Reforms, Keshab Das (2010)[32]

This book presents a set of analytical and deeply policy-oriented articles on the dynamics of growth and performance of micro and small enterprises in India during the period of reforms. It provides fairly detailed analyses of policy changes for the micro and small enterprises sector as well as empirical analyses of performance and efficiency of the unorganized manufacturing sector. it examines a range of emerging and persistent complex issues facing this crucial sector including credit, exports, trade regulations, capacity building, subcontracting, clustering, entrepreneurship and rural industrialization.

Focusing on the constraints facing this sector even during the economic reforms, most of the articles analyze how and why special attention, particularly by the state, needs to be paid towards enhancing firm competitiveness. Broad-basing the benefits of policy interventions to the overwhelmingly present yet left out micro enterprises, including rural areas, forms an important concern. This volume attempts to critically examine critical areas of intervention that could open up possibilities of developing a strong micro and small enterprises sector in India.

2.5.17 As Microfinance Grows in India, So Do Its Rivals Small Credit, Ketaki Gokhale , The Wall Street Journal,(2009)[33]

Small Credit Lines Were Supposed to Trim the Practice of High-Interest Loans in Rural Areas. But Moneylenders flourish. The practice of making tiny loans to poor people, or microfinance, was supposed to help drive traditional village moneylenders from rural India.. Instead, traditional moneylenders, who typically charge high interest rates, are thriving, even in

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[32] Keshab Das (2010), Publisher: New Delhi : Routledge.

[33] Ketaki Gokhale(2009) , The Wall Street Journal, BUSINESS DECEMBER 15, 2009,As Microfinance Grows in India, So Do Its Rivals, http://online.wsj.com/ article/ SB126055117322287513.html

areas most heavily targeted by microfinance, which was begun as a way to help combat poverty by granting the poor access to capital to start businesses.

2.5.18 Linking Financial Inclusion with Social Security Schemes Anant Jayant Natu Dr. Aashish Bansal Amrita Kurian Gurinder Pal Singh Khurana Tanushree Bhushan, January (2008)

The paper explores an innovative way of achieving financial inclusion — not just in terms of access but in usage as well. It presents the prospect of coupling financial inclusion with social security schemes. The underlying assumption is that the imposition of financial inclusion drives by banks upon prospective clients who have no reliable income stream will simply yield substandard outcomes.

2.5.19 Nandan Nilekani (2009)[34]

Former Infosys CEO speaking to India knowledge@ Wharton about his book " Imagining India" at the India Economic Forum in Philadelphia said that India need to strike the right juxtaposition of entrepreneurship, business and the markets. He added that it need market forces and entrepreneurs to create jobs, to create innovation, to create new products and services, to improve productivity, to improve the quality of life and so on. This cannot be done by the state. But state should create a regulatory and other frameworks, and rule of law to ensure that businesses play within the same playpen. India is very fortunate to hold largest array of entrepreneurs anywhere in the world, except the U.S with large companies in the family sector; large companies in the public sector; large global companies; and above all proud to have thousands of young entrepreneurs .

[34] *Nandan Nilekani(2009): 'We Are on the Razor's Edge'*, Published: in Knowledge@ Wharton, *http://knowledge.wharton. upenn.edu/ article.cfm? articleid=2290*

2.6 Conclusion

The world over as also in our country several encouragements on a continuous basis are being showered on MSE in general and CGTMSE in particular. The usefulness of all the studies should reflect in the delivery module of CGTMSE. The litmus test lies in the ability of the nation to bring up the segment for whose development the scheme envisages. The CGT should reach each entrepreneur with a disruptive innovation and should release each micro credit borrower the hassle of exorbitant ROI charged by Micro Finance Industry, which is flourishing in a big way mostly under private sector.

Despite all encouragement the share of CGTMSE lending is just 2.6% of total lending in our country and the average lending as on March 2009 is less than Rs.9 lakh per borrower, whereas the upper cap fixed for the CGTMSE is Rs. 100 lakh.

Purpose of this Chapter:

Literature review helped to understand, the prominence given to the development of SME the world over, exact nature of problem faced by SME across the world, and more particulary by MSE in India, and the various studies made by RBI / Govt of India, to redress the problems faced by MSE. This chapter helped the researcher to fine tune the research objective in the light of what had been covered above.

Chapter- **3**

CREDIT GUARANTEE SCHEME OF CGTMSE AND HOW IT IS IMPLEMENTED BY BANK OF BARODA

Introduction: This chapter has been arranged into two parts. Part 1 describes the Credit Guarantee Fund Trust for Micro & Small Enterprises. Part 2 deals with how the scheme is implemented in Bank of Baroda.

PART - 1

CREDIT GUARANTEE FUND TRUST FOR MICRO & SMALL ENTERPRISES

3.1.1 Objective

Credit Guarantee Schemes are globally treated as instruments of credit enhancement for targeted sections. As internationally, so also in India, the main public policy purpose of the CGS for MSEs is to catalyze flow of bank credit to first generation entrepreneurs for setting up their MSE units without the hassles of secondary collateral/ third party guarantee. The Scheme is intended to encourage Member Lending Institutions to rely in their appraisal essentially on the viability of the project and the security of primary collateral of assets financed. The other objective is to encourage lenders availing of guarantee facility to extend composite credit facilities to borrowers comprising both working capital and term loans. The CGS seeks to reassure lenders that, in the event of a default by MSE unit covered by the guarantee, the Guarantee Trust would meet the loss incurred by the lender up to 85 per cent of the outstanding amount in default.

3.1.2 Eligible MLIs

The CGTMSE operates the CGS through Member Lending Institutions (MLIs).All commercial banks included in the Second Schedule to the RBI Act, 1934, and such other institution(s) as may be notified by the Government of India from time to time are eligible to become MLIs. As of January 31, 2010, there were 110 MLIs registered with CGTMSE. Of this, 27 are Public Sector Banks, 16 Private Sector Banks, 59 Regional Rural Banks, 6 financial institutions and 2 foreign banks.

3.1.3 Eligible Borrowers

All new and existing MSEs, which have been extended credit facilities by MLIs without any collateral security and / or third party guarantees, are eligible for guarantee cover under the Scheme. The MSEs are enterprises as defined under the MSMED Act, 2006, as given in chapter I.7, Table1.1.

3.1.4 Extent of Guarantee Cover

In terms of the Economic Stimulus Package announced by Government of India on December 07, 2008, it has been decided to increase the coverage of the eligible credit limit per borrower under the CGS from Rs.50 lakh to Rs.100 lakh extended by Scheduled Commercial Banks and select Financial Institutions to units in the MSE sector, as given in Chapter 1.7, Table 1.2

3.1.5 Tenure of Guarantee:

The guarantee cover commences from the date of payment of guarantee fee and runs through the agreed tenure in respect of term credit. In case of working capital, the guarantee cover is available for a period of 5 years or a block of 5 years or for such period as may be specified by the Trust in this behalf. Units covered under CGTMSE and becoming sick due to factors beyond the control of management, assistance for rehabilitation extended by the MLIs is also covered under the scheme provided the overall assistance is within the credit cap of Rs.100 lakh.

3.1.6 Guarantee Fee and Annual Service Fee

A one-time Guarantee fee at the rate of 1% of the credit limit for credit facility up to Rs. 5 lakh and 1.5% in the case of credit facility above Rs. 5 lakh is charged. In case of credit facilities up to Rs.50 lakh sanctioned to units in North Eastern Region (including State of Sikkim) the Guarantee fee is 0.75%

of the credit facility sanctioned. The guarantee fee is to be paid upfront to the Trust by the lending institution. An annual service fee at specified rate (currently 0.50% in the case of credit facility up to Rs. 5 Lakh sand 0.75% in the case of credit facility above Rs. 5 Lakh) of the credit facility sanctioned (comprising term loan and / or working capital facility) is charged to the MLIs. The rates of guarantee and annual fees charged on the basis of the credit facility sanctioned are furnished in Chapter 1.7, Table 1.3.

3.1.7 The procedure for Invocation of Guarantee and Settlement of claims

The MLIs can invoke the guarantee within a maximum period of one year from date of account becoming NPA, if the date of classification as NPA is after the lock-in period of 18 months from the date of guarantee, or within one year after lock-in period, if date of classification as NPA is within lock-in period, if the following conditions are satisfied:

a) The guarantee in respect of that credit facility was in force at the time of account turning NPA;

b) The lock-in period of 18 months from either the date of last disbursement of the loan to the borrower or the date of payment of the guarantee fee in respect of credit facility to the borrower, whichever is later, has elapsed; c. The amount due and payable to the lending institution in respect of the credit facility has not been paid and the dues have been classified by the lending institution as Non Performing Assets. The lending institution shall not make or be entitled to make any claim on the Trust in respect of the credit facility, if the loss in respect of the said credit facility had occurred owing to actions / decisions taken contrary to or in contravention of the guidelines issued by the Trust; d. The credit facility has been recalled and the recovery proceedings have been initiated under due process of law. Mere issuance of recall notice under SARFAESI Act 2002 cannot be construed as initiation of legal proceedings for the purpose of preferment of claim under CGS. MLIs are advised to take further action as contained in Section 13 (4) of the said Act wherein a secured creditor can take recourse to any one or more of the recovery measures out of the four measures indicated therein before submitting claims for fi rst installment of guaranteed amount. In case the MLI is not in a position to take any of the actions indicated in Section 13(4) of the aforesaid Act, it may initiate fresh recovery proceeding under any other applicable law and seek the claim for fi rst installment from the Trust. ii) The Trust shall pay 75 per cent of the guaranteed amount on preferring of eligible claim by the lending institution, within 30 days, subject to the claim being otherwise found in order and complete in all respects. The Trust shall pay to the lending institution interest on the eligible claim amount at the prevailing Bank Rate for the period of delay beyond 30 days. The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution.

On a claim being paid, the Trust shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned. iii) In the event of default, the lending institution shall exercise its rights, if any, to take over the assets of the borrowers and the amount realized, if any, from the sale of such assets or otherwise shall first be credited in full by the MLI to the Trust before it claims the remaining 25 per cent of the guaranteed amount. iv) The lending institution shall be liable to refund the claim released by the Trust together with penal interest at the rate of 4% above the prevailing Bank Rate, if such a recall is made by the Trust in the event of serious deficiencies having existed in the matter of appraisal / renewal / follow-up / conduct of the credit facility or where lodgment of the claim was more than once or where there existed suppression of any material information on the part of the MLIs for the settlement of claims. The lending institution shall pay such penal interest, when demanded by the Trust, from the date of the initial release of the claim by the Trust to the date of refund of the claim. v) The Guarantee Claim received directly from the branches or offices other than respective operating offices of MLIs will not be entertained. Subrogation of rights and recoveries on account of claims paid (i) The Member Lending Institution shall furnish to the Trust, the details of its efforts for recovery, realisations and such other information as may be demanded, or required, from time to time. The Member Lending Institution will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of the Trust. The Trust shall not exercise any subrogation rights and that the responsibility of the recovery of dues including take over of assets, sale of assets, etc., shall rest with the Member Lending Institution. (ii) In the event of a borrower owing several distinct and separate debts to the Member Lending Institution and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of the Trust or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the MLI to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower, or, the manner in which such payments are actually appropriated. (iii) Every amount recovered and due to be paid to the Trust shall be paid without delay, and if any amount due to the Trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Trust by the lending institution at 4% above Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days

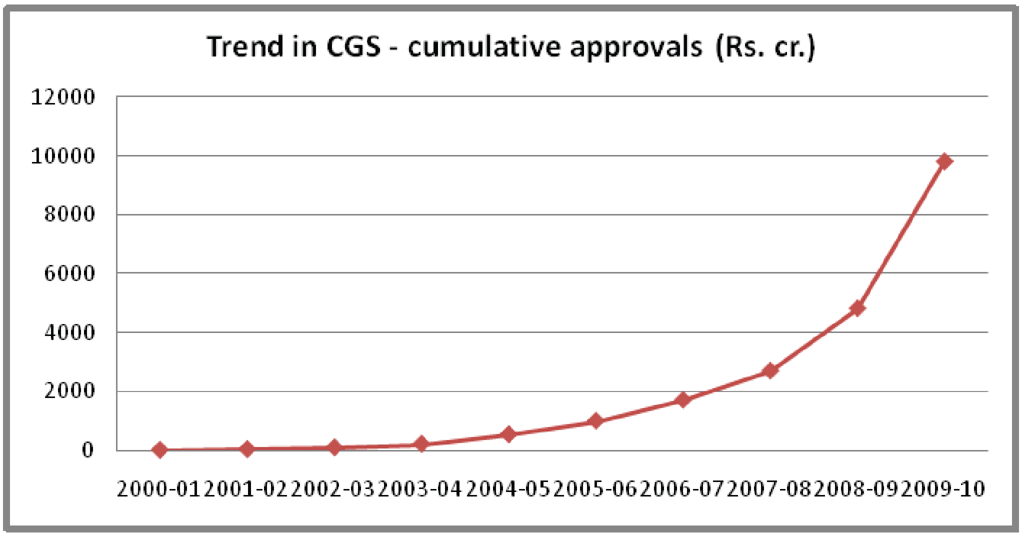
3.1.8 Operational Highlights of CGTMSE

CGTMSE has adopted multi-channel approach for creating awareness about the Credit Guarantee Scheme (CGS) amongst all the stake holders including banks, Industry Associations, Entrepreneurs, etc. through various fora like print and electronic media, conducting workshops / seminars etc. CGTMSE's website has been reconstructed to make it more user-friendly and informative with hyperlink to websites of its Member Lending Institutions / other development institutions / agencies. Cumulatively, by January 31, 2010, more than 1,010 workshops and seminars had been conducted on Credit Guarantee Scheme. Recently, CGTMSE has launched advertisement campaign in Hindi, English, and regional languages. These advertisements are issued in newspapers across the country at periodic intervals as also in leading magazines and periodicals. Of the 110 MLIs registered with the Trust as of January 31, 2010, 82 MLIs availed of the guarantee cover. The trend in availment of guarantee cover under the CGS since inception is given in Table 3 and the Chart I below:

Table 3.1 Trend in Availment of Cover under CGS Since Inception

Period	No. of Active MLIs	No of Credit Facilities Approved	Amount of Guarantees Approved (Rs. Crore)	Cumulative Guarntees Approved (Rs. Crore)
FY 2000 – 01	9	951	6.06	6.00
FY 2000 – 02	16	2,296	29.52	35.00
FY 2000 – 03	22	4,955	58.67	94.00
FY 2000 – 04	29	6,603	117.60	212.00
FY 2000 – 05	32	8,451	267.46	538.00
FY 2000 – 06	36	16,284	461.91	1,000.00
FY 2000 – 07	40	27,457	704.53	1,705.00
FY 2000 – 08	47	30,285	1,055.84	2,701.00
FY 2000 – 09	57	53,708	2,199.40	4,824.00
FY 2000 – 10*	82	1,13,029	5,110.09	9,822.50

Date Source: CGTMSE * Till January 31, 2010



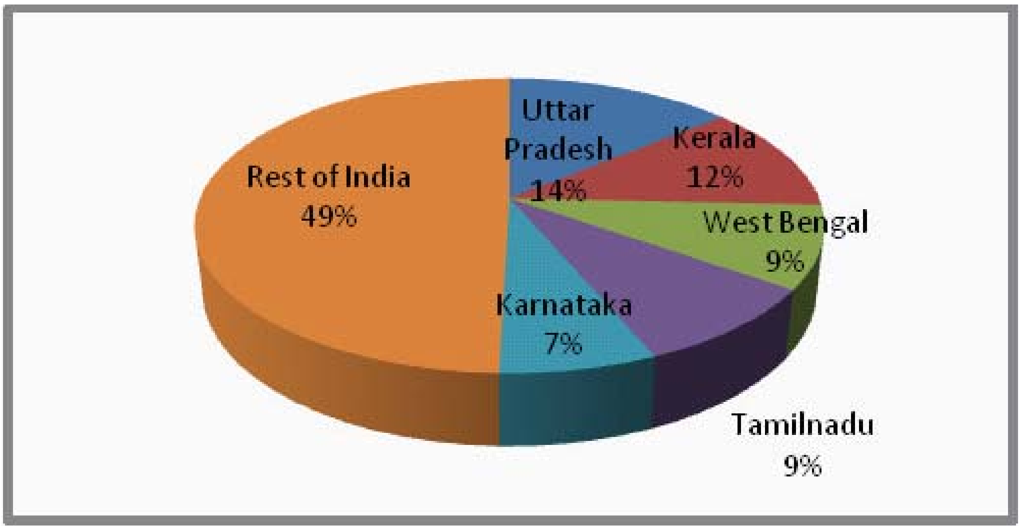
Source: CGTMSE (Status as of January 31, 2010)

3.1.9 Trend in Availment

Table 3.1 shows that the Scheme was slow in taking off in the initial years and the cover availed of remained below 10,000 proposals during the first five years. However, since 2005-06, there has been a steady growth in the issue of guarantees and the same has increased exponentially from 16,284 proposals involving Rs.461.91 crore in the year 2005-06 to 53,708 proposals involving Rs.2,199.40 crore in the year 2008- 09. During the ten month period ending on January 31, 2010, 1,13,029 guarantee proposals for Rs. 5,110.09 crore were approved. As of 31st Jan 2010, cumulatively 2,61,987 guarantee proposals have been approved involving an aggregate amount of Rs.9,822.50 crore.

3.1.10 State-wise classification

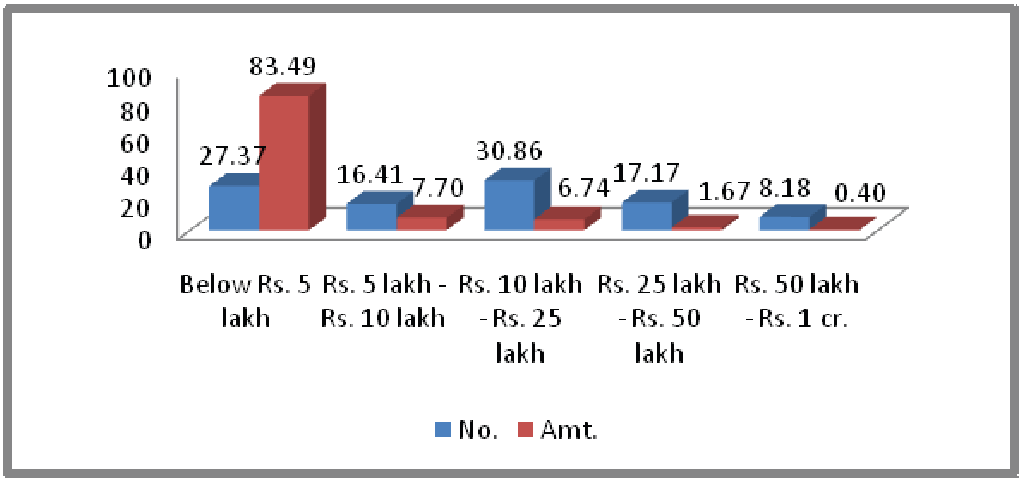
The cumulative cover under CGS as of January 31, 2010 indicates that Uttar Pradesh was the leading beneficiary with guarantee cover for 36,583 proposals involving an aggregate credit of Rs. 877.66 crore, followed by Kerala (30,250 proposals involving Rs. 577.52 crore), West Bengal (24,272 proposals involving Rs.898.93 crore), Tamilnadu (22,832 proposals involving Rs.917.20 crore) and Karnataka (17,642 proposals involving Rs. 969.70 crore) as shown in Chart II below.



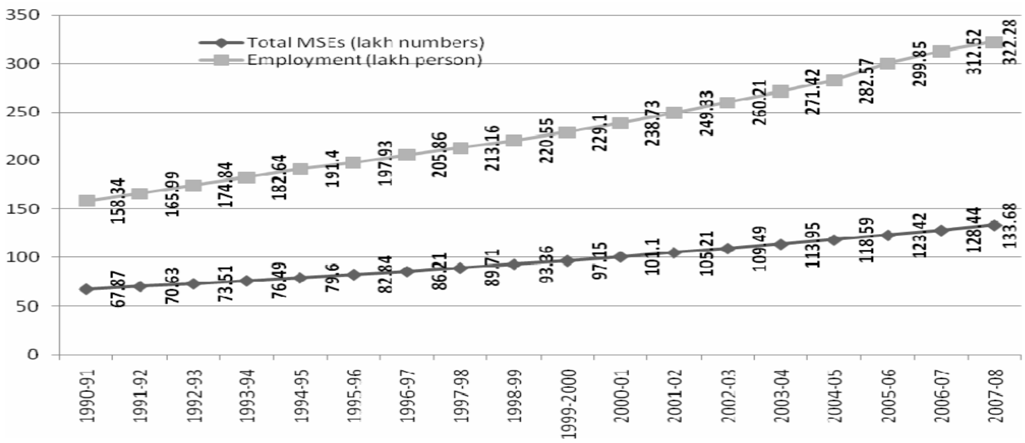
Data Source : CGTMSE (Status as of January 31, 2010)

3.1.11 Loan size-wise analysis

The cumulative guarantees approved as of January 31, 2010 reveals that 27.37% of the amount guaranteed pertains to loan size below Rs.5 lakh (by numbers 83.49%), 16.41% of the amount guaranteed belongs to loan size between Rs.5 lakh to Rs.10 lakh (by numbers 7.70%), 30.86% of loans belongs to loan size between Rs.10 lakh to Rs. 25 lakh (by numbers 6.74%), 17.17% of loans belongs to loan size between Rs.25 lakh to Rs.50 lakh (by numbers 1.67%), 8.18% in terms of amount guaranteed belongs to loan size between Rs.50 lakh to Rs.100 lakh (by numbers 0.40%) as shown in Chart III below



Graph 1: Trends in the growth of Micro and Small Enterprises (MSEs) and the Employment Generated (in lakh)



Source: Annual Report, 2008 – 09. Ministry of Micro. Small and Medium Enterprises

The number of MSE have increased from 67.87 lakh in 1990-91 to 113.68 in 2008-2009, showing 168 % increase during the period. The employment generated has gone up from 158.34 to 322.28 lakh.

3.1.12 Analysis of Sector wise classification of Average Number of Borrowers in India.

Table 3.2 Sector wise classification Borrower wise

	Average borrowers			Percentage of change	
	2007-08	2008-09	2009-10	2008-09	2009-10
Public sector Banks (26 banks)	107	1903	4487	1778.50	235.75
Old generation private banks	114	177.	179	55.93	0.63
New generation banks	31	40	176	28.39	343.22
Grameen banks	3.	33	153	1000	366
SIDBI	289	641	1340	121.80	109.05
Others	0	24	198	-	708.16

Source: Bank of Baroda

Table 3.2 shows the data for the entire financial institution in India for the year2007-08, 2008-09 &2009-10 has been grouped as PSU Banks, Old generation private sector bank, new generation private sector banks, grameen banks, SIDBI and others. Their average lending is found out to understand which segments leads in lending as also who tops In lending both on number of borrowers as well as absolute figures. Percentage of change is worked out for 2008-09 & 2009-10 to find out where highest growth has taken place as also where the growth is tardy.

For the year 2007-08, SIDBI has lend the highest number of borrowers at 289, followed by old generation private sector banks with an average of 114 borrower per bank. The lowest number of average borrowers are for grameen banks, at just 3 accounts per grameen bank.

In 2008-2009, PSU banks made an impressive growth as regards the number of accounts. The average number of accounts per PSU bank, has increased from 107 accounts per bank to 1903 pear bank, followed by SIDBI where the average number of borrowers has gone up to 641 from 289.PSU banks have registered an increase of 1778.5% growth in 2008-09 over the previous year followed by Grameen banks with 221.79% change. In 2009-10, PSU banks maintained the leadership position with 4487 borrowers per bank, followed by SIDBI with 1340 borrowers

3.1.13 Analysis of Sector Wise Classification of amount advanced under CGTMSE Lending in India

Table 3.3 Sector wise classification Amount wise (Rs.Lakh)

	Average amount of advance			Percentage of change	
	2007-08	**2008-09**	**2009-10**	**2008-09**	**2009-10**
Public sector Banks (26 banks)	3373.03	7276.06	19487.89	115.71	167.84
Old generation private banks	151.15	427.85	914.27	183.06	113.69
New generation banks	630.52	912.60	5636.14	44.73	517.58
Grameen banks	7.12	44.48	284.06	524.28	538.67
SIDBI	5874.26	12136.39	18460.08	106.60	52.11
others	0	61.52	491.17	-	698.36

Source: Bank of Baroda

Table 3.3 shows that in 2007-08, SIDBI was having outstanding balance of Rs.5874.26 lakh, followed by PSU Banks at Rs. 3373.03 lakh per bank. The lowest disbursements were made by grameen bank with Rs.7 lakh per bank followed by old generation private banks at Rs.151 lakh per bank. In 2008-09 also SIDBI maintained the leadership position with Rs. 12136.39 lakh followed by PSU banks at Rs. 7276.06 lakh per bank. In 2009-10 PSU bank took the lead from SIDBI with Rs.19487.89 lakh as average lending per PSU bank, followed by SIDBI at Rs. 18460.08 lakh.In relative terms grameen banks made the highest growth of 524%. This is mainly due to their poor lending during the base year.

PART - 2

HOW CGTMSE IS IMPLEMENTED BY BANK OF BARODA

3.2.1 Bank of Baroda – Profile

Table 3.4 Profile from 2004 - 2009

Items	2004-05	2005 – 06	2006-07	2007-08	2008-09	Groups Average 2008-09	All Banks' Average 2008 -09
No of offices	2775	2777	2812	2845	2916	1968	825
No. of employees	39529	38774	38604	37260	36838	23303	12039
Business per employee (in Rs. Lakh)	316.00	396.00	555.00	710.00	914.00	778.06	750.55
Profit per employee (in Rs. Lakh)	1.71	2.13	2.73	3.94	6.05	4.83	5.60
Capital and Reserves & surplus	5628	7844	8650	11044	12836	6794	4708
Deposits	81333	93662	124916	152034	192397	105285	51970
Investments	37074	35114	34944	43870	52446	32752	18542
Advances	43400	59912	83621	106701	143986	76027	38389
Interest income	6431	7050	9004	11813	15092	9212	4972
Other income	1313	1127	1382	2051	2758	1305	960
Interest expended	3452	3875	5427	7902	9968	6584	3366
Operating expenses	1980	2385	2544	3034	3576	1755	1142
Cost of Funds (CoF)	4.18	4.03	4.58	5.33	5.36	6.18	6.05
Return of advances adjusted to CoF	3.17	3.28	3.69	3.51	3.58	4.01	4.43
Wages as % to total expenses	25.41	24.34	20.63	17.41	17.34	13.14	13.52
Return on Assets	0.75	0.79	0.80	0.89	1.09	1.03	1.13
CRAR on Assets	0.75	0.79	0.80	0.89	1.09	1.03	1.13
CRAR	12.61	13.65	11.80	12.94	14.05	13.24	13.98
Net. NPA ratio	1.45	0.87	0.60	0.47	0.31	0.68	1.05

Source: Reserve Bank of India.

Table 3.4 shows that Bank of Baroda is having advance base of Rs. 143986/- crores as on 08-09, against the national average of Rs.38389 crores. The net NPA is showing signs of substantial improvement over the years from 1.45% in 04-05, 0.87% in 05-06, 0.60 in 06-07, 0.47 in 07-08 and 0.31% in 08-09 against the national average of 1.05%, revealing robust asset management for the Bank.

3.2.2. MSE Lending.

Bank of Baroda has given highest importance to financing SMEs in their strategic growth plan. It has become necessary to bring policy shift and create free market environment from regulations & interventions in economic activity. Growth resulting from globalization and liberalization is visible most profoundly in the SME segment. The relationship between the banker and the customer has become most crucial and competitive. The technology has entered the scene almost as a natural corollary of liberalization. Liberalized policies provide ample opportunities to Indian Market to compete with developed and developing countries. The clearance of the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 is a turning point for the development of Indian industry, as it addresses and streamlines entire frame work along with key governance & operational issues being faced by the SMEs.

Table 3.5 Investment limit for MSE

The SME segment is broadly classified as under: Particulars	Investment in Plant & Machineries of Manufacturing Enterprises	Investment in Equipments of Service Sector Enterprises
Micro Enterprises	Up to Rs. 25/- lakh	Up to Rs.10/- lakh
Small Enterprises	Above Rs. 25/- lakh and up to Rs.500/- lakh	Above Rs.10/- lakh up to Rs.200/- lakh
Medium Enterprises	Above Rs.500/- lakh and up to Rs.1000/- lakh	Above Rs.200/- lakh and up to Rs.500/- lakh

Data Source:MSMED ACT 2006

3.2.3 Objectives & Procedures of Bank of Baroda in Financing SME

To improve flow of credit to SME Sector, to formulate liberal norms of lending to SME sector, to ensure availability of adequate and timely credit to the sector, to provide guidelines to the branches to dispense credit to SME Sector on liberalized terms to devise an organizational structure at all levels for handling SME credit portfolio in a more focused manner. The Bank has framed specific loan policy for SME segment covering the composition of SME Sector, with broad guidelines on lending to SME Sector, formation of SME Loan Factory Model with transparent pricing policy. The SME Sector includes Micro Enterprises, Small Enterprises,& Medium enterprises in Service Sector units & individual or manufacturing sector .Micro Enterprises are those engaged in manufacturing, processing, preservation of goods, mining, quarrying, servicing & repairing of specified type of machinery & equipment, agro service units whose investment in Plant and Machineries does not exceed Rs. 25.00 lakh irrespective of location of the unit in respect of manufacturing units and investment in equipments not exceeding Rs 10.00 lakh in respect of Service Sector units. A Small Enterprise industrial undertaking / unit is one which is engaged in the manufacture, processing or preservation of goods or is a servicing and repair workshop undertaking repairs of machinery used for production, mining or quarrying or custom service unit (except water service units), having investment in Plant and Machineries (original cost) above Rs 25.00 lakh but not exceeding Rs. 5.00 crore in respect of manufacturing unit and above Ra 10.00 lakh but not exceeding Rs 2.00 crore in respect of Service Sector unit. Business Model on assembly line is adopted by the bank for SME segment by establishing separate Hub for Centralized Processing of SME proposals. This model is named as “SME LOAN FACTORY” For computing the value of investment in plant & machinery’ should include the original price of every productive item irrespective of whether new or second hand, acquired and proposed to be acquired, whether on lease or hire purchase, or on ownership basis by the industrial undertaking, irrespective of the manner in which the cost has been shown in its books. For computing the value of the investment in Plant and Machinery, cost of the following items should be included: 1. Original cost of Plant and Machinery (price paid by the owner / hirer / lesser), 2. Cost of control panels, starters, Electric Motors, other electrical accessories mounted on individual machines,3. Cost of only those testing and quality control equipments, which are, used for/in process testing. Banks are advised to fix their own target in order to achieve a minimum 20% YOY growth over the SME advances as of March, 2005 so as to double flow of credit to SME sector by the year 2009-10. Sub-targets for lending to Micro Enterprises within the Small Enterprises, which are included under Priority Sector lending, are as under : a. 40% of total advances to Small Enterprises Sector should go to Micro (Manufacturing) enterprises having investment in Plant and Machinery up to Rs. 5/- lakh and Micro (Service) Enterprises having investment in equipment up to Rs. 2/- lakh; , b. 20% of total advances to Small Enterprises Sector should go to Micro (Manufacturing) Enterprises with investment in Plant and Machinery above Rs. 5/- lakh and up to Rs. 25/- lakh, and Micro (Service) Enterprises with investment in equipment above Rs. 2/- lakh and up to Rs. 10/- lakh. (Thus, 60% of Small Enterprises advances should go to Micro Enterprises). . With a view to facilitate timely sanction of adequate credit facilities, the following guidelines have been issued to the branches: • An acknowledgment with the date of receipt for credit application received to be given. A definite date to be intimated to the applicant for discussions, clarifications etc. if considered necessary. • The bank's decision regarding credit assistance to be communicated to the applicant within the prescribed period. All applications received should be entered in a "Register of Loan Applications Received" for recording therein the complete particulars such as date of sanction, rejection, reasons for rejection etc. In order to provide better customer service and to ensure that applications for loans for all categories of borrowers are dealt with and disposed off expeditiously, the following norms shall be adhered to, provided the loan applications received are complete in all respects and duly accompanied by a check list

• In respect of loans upto Rs.25,000/- within a maximum period of one week of receipt of loan applications complete in all the respects and duly accompanied by a check list. • In respect of other cases for loans above Rs.25,000/- and upto Rs.5.00 lakh, within a maximum period of two weeks on receipt of duly completed loan applications in all the respects and accompanied by a checklist., • In respect of loans over Rs. 5.00 lakh, within a maximum period of 4 weeks on receipt of duly completed loan applications in all respects and accompanied by a check list, • In respect of credit applications processed at SME loan Factories, it should be disposed off within 14 working days on receipt of full information if no TEV study is required and within 21 working days on receipt of full information if TEV study is required. SME Units may be granted a variety of credit facilities for their different needs which will include the following: (a) Term Loan / Demand loan / Deferred Payment Guarantee: For acquisition of capital goods (including second hand), fixed assets, vehicles, plant & machinery, purchase of land, construction of buildings etc. (b) Working Capital by way of Cash Credit, Overdraft etc for: 1. Purchase of raw material, components, stores, spares and maintenance of stock of these items at minimum level and stock in process and finished goods2. Finance against receivables including receipted challans / invoices, 3. Meeting marketing expenses where the units have to incur large-scale expenditure towards marketing of their products, (c) Bills Purchase / Discounting under L/C or outside L/c., (d) Export Credit facilities like Packing Credit, FBP / UFBP, (e) Letter of Credit on sight/ usance basis for purchase of raw material/capital goods (f) Bank Guarantees for Performance, Advance Payment, Tender Money Security Deposit, Guarantees for getting orders, for procurement of raw materials etc., For Assessment of Working Capital Limits: , the following guidelines are in place for SME units Limits up to Rs. 5.00 crores:

The credit requirements of village industries, Micro Enterprises, Small Enterprises and Medium Enterprises having aggregate fund based working capital limits up to Rs.5.00 crore from the banking system, will be computed on the basis of a minimum of 20 % of their acceptable projected annual turnover for new as well as existing units as per Nayak Committee recommendations. For assessment of Working Capital requirements beyond Rs.5/- crores of Small Scale Industrial Units / Medium Enterprises, the guidelines on PBF method of lending is being followed.

Margin is an important parameter on which this study is focusing, and therefore a clear understanding about the margin norms followed by Bank of Baroda assumes significance. It is stipulated differently for term loan and for working capital. For term loan for acquiring factory land & building, overall margin of 30% and In case of Plant & Machineries and Equipments margin is proposed at 25% . For working capital a uniform margin of 25% is proposed on stocks and receivables. For export credit margin may be stipulated @ 10 %. For charging Interest, if accounts are falling under SME category as per statutory guidelines, rates as applicable to Micro, Small & Medium Enterprises to be applied. However, if accounts are falling under SME category based on expanded coverage i.e. they are outside the purview of regulatory definition, interest to be applied as per separate guidelines being issued from time to time. The internal comprehensive credit rating system under CRISIL Model has been approved by the bank and pricing of loan is decided based on the guidelines issued from time to time. For deviation from terms of sanction @ 1% to 2% is charged for the period of default. Presently as per action plan for implementing High Level Committee (Kapur Committee) recommendations on credit flow to SSI Sector", a 'Charter on credit entitlements is displayed at Branch premises. Pricing be continued to be linked to internal credit rating system. However, due weightage will be given for the credit rating of the external agency. Bank is conducting a Techno-economic viability study as per guidelines of the bank. For a clear understanding of the objectives of our study, how Bank of Baroda is sanctioning collateral free loans assumes importance. Presently, Bank' is providing collateral free loans are Collateral free loan up to Rs.5.00 Lakh to Micro & Small Enterprises. (as per mandatory provisions of RBI.Rs.5/- lakh is since raised to 10/- lakh by RBI working group recommendation of 2010).and Collateral free loans (including third party guarantee/ security) up to a limit of Rs. 25.00 lakh to units having satisfactory dealings with the branch for last 3 years and having sound and healthy financial position (The limit for CGTMSE loan is since raised from 25 lakh to 50 lakh and now to Rs.100/- lakh). All the collateral free loans up to Rs.50.00 lakh (since raised to Rs 100/- lakh) sanctioned to Micro & Small Enterprises are eligible for cover under CGTMSE Scheme. Bank is sharing the upfront fees and annual service charges on 50:50 basis with the borrower to reduce the cost burden to the borrower. As per RBI guidelines, Credit assistance to artisans, village and cottage industries and other Small Industrial units up to Rs.100.00 lakh for equipment finance or working capital or both should be considered as Composite Term Loan. This will enable majority of Micro and Small Enterprises to avail loans from a single window eliminating the need for borrowing term loan from SFCs and working capital from banks. This will also facilitate to sign one set of documents only instead of signing facility-wise separate documents.

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Chapter- 4

DIVERGENCE IN GUIDELINES BY CGTMSE, RBI & BANK OF BARODA ON COLLATERAL FREE LENDING

Introduction: This chapter includes three parts. The 1st part covers the background of priority sector advances and RBI guidelines for making credit to MSE forming part of priority sector lending. Part 2 deals with RBI working Group report, reviewing CGTMSE and the third part deals with the analysis of primary data collected from 61 Branch Managers and 61 credit officers, to whom a pre-tested 70 structured questionnaire were administered.

PART - 1

BACKGROUND OF PRIORITY SECTOR ADVANCES AND RBI GUIDELINES MAKING CREDIT TO MSE FORMING PART OF PRIORITY SECTOR LENDING

4.1. The description of the priority sectors was formalised in 1972 on the basis of the report submitted by the Informal Study Group constituted by Reserve Bank of India on Statistics relating to advances to the Priority Sectors. On the basis of this report, the Reserve Bank prescribed a modified return for reporting priority sector advances and certain guidelines were issued in this connection indicating the scope of the items to be included under the various categories of priority sector. Although initially there was no specific target fixed in respect of priority sector lending, in November 1974 the banks were advised to raise the share of these sectors in their aggregate advances to the level of 33 1/3 per cent by March 1979.

At a meeting of the Union Finance Minister with the Chief Executive Officers of public sector banks held in March 1980, it was agreed that banks should aim at raising the proportion of their advances to priority sector to 40 per cent by March 1985. Subsequently, on the basis of the recommendations of the Working Group on the Modalities of Implementation of Priority Sector Lending and the Twenty Point Economic Programme by Banks (Chairman: Dr.

K. S. Krishnaswamy), all commercial banks were advised to achieve the target of priority sector lending at 40 per cent of aggregate bank advances by 1985. Sub-targets were also specified for lending to agriculture and the weaker sections within the priority sector. Since then, there have been several changes in the scope of priority sector lending and the targets and sub-targets applicable to various bank groups.

On the basis of the recommendations made in September 2005 by the Internal Working Group (Chairman: Shri C. S. Murthy), set up by Reserve Bank to examine, review and recommend changes, if any, in the existing policy on priority sector lending including the segments constituting the priority sector, targets and sub-targets, etc. and the comments / suggestions received thereon from banks, financial institutions, public and the Indian Banks' Association (IBA), it was decided to include only those sectors as part of the priority sector, that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture, and tiny and small enterprises. RBI has made both direct and indirect advance to MSE as forming part of priority sector lending.

Direct finance to small enterprises shall include all loans given to micro and small (manufacturing) enterprises engaged in manufacture / production, processing or preservation of goods, and micro and small (service) enterprises engaged in providing or rendering of services, and whose investment in plant and machinery and equipment (original cost excluding land and building and such items as mentioned therein) respectively, should not exceed the stipulated amount. The micro and small (service) enterprises shall include small road & water transport operators, small business, professional & self-employed persons, and all other service enterprises. Small (manufacturing) Enterprises are enterprises engaged in the manufacture/production, processing or preservation of goods and whose investment in plant and machinery [original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification no. S.O. 1722 (E) dated October 5, 2006] does not exceed Rs. 5 crore.

Micro (manufacturing) Enterprises are enterprises engaged in the manufacture/ production, processing or preservation of goods and whose investment in plant and machinery [original cost excluding land and building) does not exceed Rs. 25 lakh, irrespective of the location of the unit. Small (service) Enterprises shall include enterprises engaged in providing/rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) does not exceed Rs. 2 crore. Micro (service) Enterprises shall include enterprises engaged in providing/ rendering of services and whose investment in equipment [original cost excluding land and building and furniture, fittings and such items does not exceed Rs. 10 lakh The small and micro (service) enterprises shall include small road & water transport operators, small business, professional & self-employed employed persons, and all other service enterprises, Khadi and Village Industries Sector (KVI) advances, irrespective of their size of operations, location and amount of original investment in plant and machinery. Such advances will be eligible for consideration under the sub-target (60 per cent) of the small enterprises segment within the priority sector.

Indirect finance to small enterprises shall include finance to any person providing inputs to or marketing the output of artisans, village and cottage industries, handlooms and to cooperatives of producers in this sector Indirect finance to the small (manufacturing as well as service) enterprises sector will include credit to Persons involved in assisting the decentralised sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries. Advances to cooperatives of producers in the decentralised sector viz. artisans village and cottage industries. Existing investments as on March 31, 2007, made by banks in special bonds issued by NABARD with the objective of financing exclusively non-farm sector may be classified as indirect finance to Small Enterprises sector till the date of maturity of such bonds or March 31, 2010, whichever is earlier. Investments in such special bonds made subsequent to March 31, 2007 will, however, not be eligible for such classification. The deposits placed with SIDBI by foreign banks, having offices in India, on account of non-achievement of priority sector lending targets/sub-targets and outstanding as on April 30, 2007 would be eligible for classification as indirect finance to Small Enterprises sector till the date of maturity of such deposits or March 31, 2010, whichever is earlier. Loans granted by banks to NBFCs for on-lending to small and micro enterprises (manufacturing as well as service).

4.1.1 Relation Between Micro Credit And Micro Enterprises:

Any discussion on Micro & Small Enterprises is not complete, with out establishing the relation of the term Micro in MSE is having with micro-credit. It has to be clearly understood that the word Micro in MSE is different from micro credit. As per RBI directive micro credit forms part of the priority sector, but it does not come under MSE**.** Micro Credit is Provision of credit and other financial services and products of very small amounts not exceeding Rs. 50,000 per borrower, either directly or indirectly through a SHG/JLG mechanism or to NBFC/MFI for on-lending up to Rs. 50,000 per borrower

4.1.2 Targets/Sub-Targets

The targets and sub-targets set under priority sector lending for domestic and foreign banks operating in India are furnished below:

Table 4.1 Priority sector lending targets of RBI

	Domestic commercial banks	Foreign banks
Total Priority Sector advances	40 per cent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.	32 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.
Total agricultural advances	18 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher. Of this, indirect lending in excess of 4.5% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, will not be reckoned for computing performance under 18 per cent target. However, all agricultural advances under the categories 'direct' and 'indirect' will be reckoned in computing performance under the overall priority sector target of 40 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.	No target.
Small Enterprise advances	Advances to small enterprises sector will be reckoned in computing performance under the overall priority sector target of 40 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.	10 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.
Micro enterprises within Small Enterprises sector	1. 40 per cent of total advances to small enterprises sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs 5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh; 2. 20 per cent of total advances to small enterprises sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs 5 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 2 lakh and up to Rs. 10 lakh. (Thus, 60 per cent of small enterprises advances should go to the micro enterprises).	
Export credit	Export credit is not a part of priority sector for domestic commercial banks.	12 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.
Advances to weaker sections	10 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.	No target.
Differential Rate of Interest Scheme	1 per cent of total advances outstanding as at the end of the previous year. It should be ensured that not less than 40 per cent of the total advances granted under DRI scheme go to scheduled caste/scheduled tribes. At least two third of DRI advances should be granted through rural and semi-urban branches.	

Source: Reserve Bank of India

Table 4.1 Shows that there is no sub-target fixed for MSE lending for Indian banks though it forms part of priority sector lending, which means that even if a bank do not make any lending under MSE segment, it can fully achieve all priority sector stipulations by lending to other priority sector segments. The sub-targets for lending to Micro enterprises within MSE are that 40 per cent of total advances to small enterprises sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs 5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh and 20 per cent of total advances to small enterprises sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs 5 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 2 lakh and up to Rs. 10 lakh. (Thus, 60 per cent of small enterprises advances should go to the micro enterprises) However for foreign banks, sub target for MSE lending is fixed at 10 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

PART - 2

RBI WORKING GROUP REPORT, REVIEWING CGTMSE

4.2. Since the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGFTMSE) was not picking up, RBI announced in the Annual Policy Statement for 2009-10 that the Standing advisory Committee on MSEs would be asked to review the credit guarantee scheme so as to make it more effective. Accordingly, a Working Group (Chairman: Shri V.K. Sharma) was constituted. The terms of reference was to review the working of the Credit Guarantee Scheme and suggest measures to enhance its usage and facilitate increased flow of collateral free loans to MSEs, to make suggestions to simplify the existing procedures and requirements for obtaining cover and invoking guarantee claims under CGTMSE Scheme, to examine the feasibility of a whole turnover guarantee for the MSE portfolio. The working group has submitted its report in March 2010. Major recommendations are summarized below:

4.2.1 Collateral free loans

The Group recommends that the limit for collateral free loans to the MSE sector be increased from the present level of Rs. 5 lakh to Rs.10 lakh and it be made mandatory for banks. Banks, in turn, can take cover for collateral free credit facilities under the Credit Guarantee Scheme.

4.2.2 Awareness about the Scheme

In order to upscale the CGS, it is necessary to create widespread awareness about the key features and benefits of the Scheme. As the branch level functionaries have a predilection to lend against collaterals, the Group recommends that the Chief Executive Officers (CEOs) of banks assume complete and total ownership in the matter of strongly encouraging the branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff.

4.2.3 Guarantee Fee

The matter of introduction of risk-based guarantee fee was deliberated by the Group and recommended a uniform guarantee fee of 1% p.a. which is almost the same as the composite annual fee now being charged by CGTMSE. Further, the Group has recommended that guarantee fee for collateral free loans up to Rs.10 lakh to Micro Enterprises be borne/ absorbed by the CGTMSE. Consistent with the recommendation for enhancement of the collateral free loan limit to Rs. 10 lakh, the Group recommends that guarantee cover up to 85% of the amount in default be made applicable to credit facilities to Micro Enterprises up to Rs 10 lakh.

4.2.4 Simplification of Procedure

With the view to simplifying the procedure for filing claims in respect of small loan accounts, initiation of legal proceedings as a pre-condition for invoking of guarantees could be waived for credit facilities upto Rs.50,000/-. Regarding the present requirement of a lock-in period of 18 months to invoke guarantee, it was decided to continue. The Group recommended that the final claim be paid by the Trust to the MLIs after three years of obtention of decree of recovery instead of the present procedure of releasing the final claim by the Trust only after the decree of recovery becomes time barred. Request for cover of loans under the CGS with partial secondary collateral by enhancing the limit to Rs. 2 crores was not considered.

4.2.5 Definition of collateral

The Group does not recommend any change in the present definition of the Scheme. The Scheme may cover the credit facilities which are secured by primary collateral as well as secondary collateral which belongs to the unit and are directly connected to the business activity of the unit.

4.2.6 Areas of divergence in guidelines

Table 4.2 Difference in Guidelines of CGTMSE and RBI

Guidelines	CGTMSE	RBI
Maximum amount of collateral free loan.	Rs.100/- lakh	Rs.10/- lakh
Mandatory nature of lending.	Non mandatory	Mandatory
Quickness of sanction.	Delayed	quick
Reason for delay.	Sanction needs approval from CGTMSE before disbursement	No delay, since sanction is at bank level
Cost to borrower	Borrower to bear guarantee fee. For Micro enterprises up to Rs.10/- lakh is borne by CGTMSE.	No additional charges both to Micro & Small enterprises

Guidelines	CGTMSE	RBI
Recovery of dues in case of default	1. Lock in period of 18 months 2. Initiation of legal proceedings to claim guarantee above Rs. 50000/- 3. Guarantee to be invoked within one year (now 2 year) of account classifying as NPA. 4. Final claim be paid by the Trust to the MLIs after three years of obtention of decree of recovery	1. No such lock in period 2. Legal action to the discretion of Bank 3. No such condition 4. No such condition.

4.2.7 On maximum cap for lending

The maximum limit up to which CGTMSE lending can be made is Rs.100 lakh for micro and small enterprises. The national average lending as on 31st March 2009, ten years since the commencement of the scheme, remains at Rs. 8.98 lakh which is less than 1/11th of the highest cap of Rs.100 lakh fixed by CGTMSE. When the scheme was initially introduced for SSI only in 2000, the highest limit was fixed at Rs. 25 lakh, which was subsequently raised to Rs.50 lakh, and then to Rs.100/- lakh. Both on number of accounts as well as on quantum of loan the scheme was not taking off, based on which several studies have been made at various level and the last one was by the working group of RBI which was asked to review the entire scheme.

While, so reviewing the working of the Credit Guarantee Scheme with the objective of suggesting measures to enhance its usage and facilitate increased flow of collateral free loans to MSEs, Reserve Bank of India has fixed the cap for mandatory lending at Rs.10/- lakh to MSE, whereas the original limit under the scheme was Rs. 100 lakh. This study examines whether, the reduced limit of Rs.10 lakh fixed by RBI is limiting the growth of CGTMSE lending.

4.2.8 Non Mandatory Nature of Lending

The coverage of loan under CGTMSE is after getting the approval from CGT. Every proposal has to be put for pre-approval by CGT by Member lending Institution, and the guarantee cover will be available only for such accounts which are specifically approved by CGT. If for any reason, CGT do not approve, the cover won't be available. Now, since, RBI has made lending to MSE up to Rs.10/- lakh, collateral free, Banks are not permitted to obtain any collateral security up to Rs.10/- lakh. But when it comes to CGTMSE, the mandatory nature is not there, which means, that lending under CGT is not compulsory for banks. This study examines, whether, non-mandatory nature of lending of CGTMSE has contributed to the poor performance of CGTMSE

4.2.9 Quickness of Sanction of Loan under CGTMSE

As could be seen from the discussion above, all sanctions under CGTMSE requires prior approval of CGT. Under normal lending the sanction is being done at the bank level at branch / higher controlling office level, which ensures speedy sanction for the customer. It could be seen that loans under CGTMSE will take additional time that is required for getting the approval from CGT. This study examines, whether delay in sanction limits the growth of the scheme.

4.2.10 Cost to the Borrower

Guarantee fee and annual service charges are to be paid additionally by the borrower. In Bank of Baroda, 50 % of the guarantee fee was absorbed by the Bank, as part of internal policy. However, when the credit is covered under

CGT, additional expense has to be borne by the borrower. Recent Working group of RBI has suggested that in respect of lending to Micro enterprises upto Rs. 10 lakh, the charges has to be borne by CGT, and lending in excess of it has to be borne by the borrower. This study examines, whether this additional charges drives away intending borrowers from the scheme.

4.2.11 Recovery of Dues in case of default

There are conditions attached to giving guarantee by the corporation, like Lock in period of 18 months for invoking the guarantee, Initiation of legal proceedings to claim guarantee above Rs. 50000/-Guarantee to be invoked within one year (now 2 year) of account classifying as NPA and final claim be paid by the Trust to the MLIs after three years of obtention of decree of recovery. Are all these cause delay at the level of Banks in recovering Banks dues, when once the account becomes NPA. This study examines, whether, these hardships cause low lending of CGTMSE at the level of Bankers.

PART - 3

ANALYSIS OF PRIMARY DATA COLLECTED FOR 122 BRANCH MANAGERS AND CREDIT OFFICERS OF BANK OF BARODA, KERALA TO EXAMINE HOW DIVERGENCE IN GUIDELINES OF CGT, RBI & BOB ON COLLATERAL FREE LENDING CONTRIBUTE TO GROWTH OF CGTMSE

4.3.1 Analysis of Reliability and Validity

Reliability Coefficients: Cronbach's alpha

Number of items = 11

$$\alpha = 0.68$$

Reliability of an instrument is defined as the extent to which any measuring instrument yields the same result on repeated trials (Carmines and Zellar, 1990). It is the degree to which the instrument yields a true score of the variable (factor) under consideration. The instrument is not considered as reliable to the extent to which it contains measurement error (Neale and Liebert, 1986)

There are several methods to establish the reliability of a measuring instrument. These include test-retest method, equivalent forms, split-halves method, and internal consistency method. These methods are based on theories such as true and error scores, parallel forms and domain sampling. Of all these methods, the internal consistency method is considered to be the most effective method, especially in field studies. Primary data collected from 61 Branch Managers and 61 credit officers of Bank of Baroda, working in Kerala under census method are being done to establish the reliability of measuring instrument whether it yields the same result on repeated trials using Cronbach's alpha . 11 variables are taken to establish the reliability of the measuring instrument. Of the 11, seven variables are relating to CGTMSE, 2 each for Reserve Bank of India and Bank of Baroda.

4.3.2 Variables from CGTMSE

- NON-MANDATORY LENDING
- APPROVAL
- GUARANTEE INVOKING NORMS
- PAYMENT OF GUARANTEE FEE
- AWARENESS ABOUT THE SCHEME
- COLLATERAL
- EXTENT OF COVER

4.3.2.1 Non-Mandatory Guidelines

CGT is an organization set up jointly by Govt. of India and SIDBI to offer collateral free lending to MSE. CGT do not have any regulatory powers on Banks or Financial Institutions. As such the guidelines issued by them for

Collateral free lending also remains as non-mandatory meaning that Member Lending Institutions have the freedom to decide whether lending under CGT is to be extended or not. Here MLI have the option to decide whether to lend or not under CGTMSE. To ascertain whether CGT guidelines are responsible for the poor growth of CGTMSE lending both the groups of branch managers and credit officers were asked whether priority for implementation is for mandatory guidelines. Mandatory guidelines are those issued by those who are having statutory powers to instruct MLI like Govt or RBI . 61 Branch Managers and 61 credit officers of Bank of Baroda were administered a pre tested questionnaire. Before going into the analysis part, A ‘t’ test is being made whether there are any significant difference between Branch Managers and Credit officers on their perception about the non – mandatory nature of guidelines.

4.3.2.2 Approval

CGT guidelines stipulate that MLI has to obtain approval from CGT about the sanction made by MLI under CGTMSE. MLI has to submit the application for approval prior to disbursement and only after getting the approval, disbursements are made by MLI to customer. Some view this as a reappraisal by CGT, time consuming and is being looked upon by bankers as a check on their work by CGT. Here also ’t’ test was done to find out whether there is any significant difference between the views expressed by Branch Manager and Credit officers.

61 Branch Managers and 61 credit officers of Bank of Baroda were administered a pre tested questionnaire. Before going into the analysis part, a ‘t’ test is being made whether there are any significant difference between Branch Managers and Credit officers on their views on approval of CGT, which is one of the various guidelines of CGT for CGTMSE lending

4.3.2.3 Guarantee Invoking Norms

CGT guidelines stipulate that there should be a lock-in-period of 18 months, within which MLI will not be eligible to invoke the guarantee.

Further it stipulates that legal action has to be initiated before invoking guarantee as a mandatory requirement for amount exceeding Rs.50000/- and where it is waived upto Rs.50000/- an official not below the rank of General Manager has to certify compliance of stipulated guidelines. Further the guarantee invoking has to take place within one year of the account becoming Non-Performing Account (NPA) (An NPA account is one where the principal and or interest is overdue for payment for a period exceeding 90 days). The final claim will be released by CGT after three years of recovery becomes time barred. 61 Branch Managers and 61 credit officers of Bank of Baroda were administered a pre tested questionnaire. Before going into the analysis part, A 't' test is done to see whether there were any significant difference between Branch Managers and Credit officers on their views on Guarantee in waking norms of CGT, which is one of the various guidelines of CGT for CGTMSE lending

4.3.2.4 Payment of Guarantee Fee

The guarantee fee and annual services charges are to be paid to CGTMSE for guaranteeing the credit facility to MLI. Upfront one time guarantee fee is 0.75% up to Rs.50 lakh for North East Region and for limit above Rs.50 lakh up to Rs. 100 lakh is 1.5% in NER. For other places up to Rs. 5 lakh the upfront one time guarantee fee is 1% and above Rs.5 /-lakh up to Rs.100 lakh it is 1.5%. Annual service charges are uniform across the country, which is 0.50% up toRs. 5 lakh and beyond 0.75% up to Rs. 100 lakh.

4.3.2.5 Awareness about the Scheme

Awareness level of MSE is having an important bearing on CGTMSE lending. 61 Branch Managers and 61 credit officers of Bank of Baroda were administered a pre tested questionnaire. Before going into the analysis part, a 't' test is being made whether there are any significant difference between Branch Managers and Credit officers on their view about the awareness level of MSE about CGTMSE

4.3.2.6 Collateral Security

"Collateral security" means the security provided in addition to the primary security, in connection with the credit facility extended by a lending institution to a borrower .Mortgage of land and building and 3rd party guarantee obtained over and above primary security is termed as collateral security. Bankers insist for collateral security to recover Banks dues in the event of account going bad and proceeds of primary securities are not enough to recover the amount in default. "Amount in Default" means the principal and interest amount outstanding in the account(s) of the borrower in respect of term loan and amount of outstanding working capital facilities (including interest), as on the date of the account becoming NPA, or the date of lodgment of claim application whichever is less.

4.3.2.7 Extent of Cover

The amount guaranteed is the maximum cover available for the borrower, in case of default. At the highest slab it is 85% and lowest it is 62.5%

4.3.3 Variables Relating to RBI

Being the regulator, the instructions issued by RBI are being viewed as important for bankers, which is having a bearing on all the banking activities that banks are performing including credit. To establish the reliability of the measuring instrument 2 variables are relating to RBI, which are:

- MANDATORY LENDING LIMIT
- NON STIPULATION OF SUB LIMIT FOR MSE LENDING UNDER PRIORITY SECTOR LENDING

4.3.3.1 Mandatory Lending Limit\

To review the working of the Credit Guarantee Scheme and suggest measures to enhance its usage and facilitate increased flow of collateral free loans to MSEs; a Working Group was constituted under the Chairmanship of Shri V.K. Sharma, Executive Director, Reserve Bank of India. After extensive review, RBI has raised the limit for collateral free lending from Rs. 5 lakh to Rs.10 lakh and made it mandatory for banks to give credit to MSE upto Rs.10 lakh without collateral securities. Banks are not permitted to obtain collateral securities from MSE when the lending is within Rs.10 lakh.

4.3.3.2 Non-Stipulation of Sub Limit for MSE Lending Under Priority Sector Lending

Advances to MSE shall be reckoned as forming part of the 40% of priority sector advances stipulated, of which 40 per cent of total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs 5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh and 20 per cent of total advances to small enterprises sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs 5 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 2 lakh and up to Rs. 10 lakh. (Thus, 60 per cent of small enterprises advances should go to the micro enterprises). Though sub limits is there for lending under Micro manufacturing and service enterprises, it should be carefully noted that there is no separate sub-limit for MSE, which means that MSE lending is not mandatory for achieving priority sector lending. It could be seen that for other segments like agriculture (18%), weaker section (10%) etc., separate mandatory sub-targets are fixed by RBI, which ask banks to invariably lend to such segments to the stipulated percentage. No such sub-target is there for MSE. Then again when no sub-target is fixed for MSE keeping a sub-limit for micro do not act as a compelling requirement.

4.3.4 Variables Relating to Bank of Baroda.

The guidelines issued by Bank of Baroda are all mandatory for Branch .Managers and credit officers, while dispensing credit. Any deviation from stipulated guidelines, shall be viewed as violation of instructions, warranting administrative remedies. To establish the reliability of the measuring instrument 2 variables are relating to Bank of Baroda are:

4.3.4.1 Margin Stipulated By Bank of Baroda:

CGTMSE guidelines are silent about margin to be obtained. Bank of Baroda stipulate a margin of 25% on credit extended to MSE. Margin is obtained on project cost and not on the amount advanced. This is obtained both for start up as well as existing enterprises. Margin is an additional security, which can be appropriated towards recovery of amount in default. Margin is obtained from all the borrowers who have availed credit under CTMSE lending.

4.3.4.2 Preference towards Collateral

Collateral securities are those obtained over and above the primary securities, due to the risk perception bankers are having, especially for lending to MSE.

4.3.5 Table: Results of Validity and Reliability Coefficient Variables

The internal consistency of 11 variables are tested for consistency, of which 7 are from CGTMSE guidelines, 2 each from RBI & Bank of Baroda. Internal consistency' is the degree of inter correlation among the items that constitute the scale (Nunnally 1978). Internal consistency of a set of items thus refers to the homogeneity of the items in a particular scale The internal consistency is estimated using a reliability coefficient called Cronbach's alpha (Cronbach,1951) An alpha value of 0.60 or above is considered to be the criterion for demonstrating strong internal consistency of established scales (Nunnally 1978). In the case of exploratory research, alpha value of 0.60 or above is also considered as significant (Hair et al., 1998) Strong internal consistency is being shown for the following variables, which is having alpha value of 0.60 or above:

Table 4.3 Alpha Value of Variables for 8 selected variables

Variables	
CGTMSE GUIDELINES	Alpha
NON-MANDATORY LENDING	0.949
APPROVAL	0.685
GUARANTEE INVOKING NORMS	0.871
PAYMENT OF GUARANTEE FEE	0.801
RESERVE BANK OF INDIA GUIDELINES	
MANDATORY LENDING LIMIT	0.733
NON STIPULATION OF SUB LIMIT FOR MSE LENDING UNDER PRIORITY SECTOR LENDING	0.993
BOB GUIDELINES	
MARGIN STIPULATED BY BANK OF BARODA	0.851
PREFERENCE TOWARDS COLLATERAL	0.943

In social science, exploratory research alpha of 0.60 is being accepted as significant. The following variable are showing alpha value over 0.60 and hence are significant for reliability and consistency.

Table 4.4 Alpha Value of Variables for 3 selected variables

Variables	
CGTMSE GUIDELINES.	Alpha
AWARENESS ABOUT THE SCHEME	0.652
COLLATERAL	0.635
EXTENT OF COVER	0.673

4.3.6 FINDINGS

4.3.6.1 Analysis of Reliability and Validity:

Reliability Coefficients: Cronbach's alpha norms of CGTMSE. Regarding CGTMSE guidelines non-mandatory lending, approval, guarantee invoking norms & payment of guarantee fee are showing strong consistency

Regarding RBI guidelines mandatory lending limit and non-stipulation of sub limit for MSE lending under priority sector lending are showing strong consistency. Regarding BOB guidelines margin stipulated, and preference towards collateral are showing strong consistency. The variables that are showing significant consistency are all relate to CGTMSE guidelines, which are awareness about the scheme, collateral and extend of guarantee cover. The overall score shows significant consistency with alpha value at 0.688.

4.3.6.2 Z Test

As data has been obtained from 61 Branch managers and 61 credit officers, Z test has been done to establish whether any significant difference is there between Bank Managers and Credit Officers on each variable.

Table 4.5 Test to find out difference between Branch Managers and Credit Officers.

	category	Mean	Std. Deviation	t	Sig. (2-tailed)	significance
Non Mandatory Lending	Manger	13.6721	5.19526	.208	.835	Not significant
	Credit officer	13.4754	5.24279			
Approval	Manger	14.8852	3.61985	.175	.861	Not significant
	Credit officer	14.7705	3.62580			
Guarantee Invoking Norms	Manger	19.1148	5.34197	.017	.986	Not significant
	Credit officer	19.0984	5.17592			
Payment of Guarantee Fee	Manger	13.1967	5.49794	.033	.974	Not significant
	Credit officer	13.1639	5.43194			
Awareness About the Scheme	Manger	18.0492	1.52125	.178	.859	Not significant
	Credit officer	18.0000	1.52753			
Collateral	Manger	18.8525	1.86937	.000	1.000	Not significant
	Credit officer	18.8525	1.86937	.000	1.000	
Extent of cover	Manger	10.0492	2.36943	.000	1.000	Not significant
	Credit officer	10.0492	2.36943			
Mandatory Lending Limit	Manger	18.4262	1.14687	.313	.755	Not significant
	Credit officer	18.3607	1.16951			
Margin Stipulated By Bank of Baroda	Manger	23.9836	2.20976	.000	1.000	Not significant
	Credit officer	23.9836	2.59802			
Non Stipulation of Sub Limit For MSE Lending Under Priority Sector Lending	Manger	13.8852	2.28107	.117	.907	Not significant
	Credit officer	13.8361	2.35358			
Preference Towards Collateral	Manger	17.9508	3.33879	-.081	.936	Not significant
	Credit officer	18.0000	3.36650			

Tabled value at 5% level 1.96

$$Z = \frac{(\bar{x}_1 - \bar{x}_2)}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}.$$

Non Mandatory Lending	**Manger**	13.6721	5.19526
	Credit officer	13.4754	5.24279

There is no significant difference between Branch Manager and credit officer as the mean for Manager is 13.6721 and that of credit officer is 13.4754. The standard deviation for Branch Manager is 5.19526 and that of credit officer is 5.24279. Both the group confirms that CGTMSE lending is non-mandatory with lot of options for bankers.

Approval	**Manger**	14.8852	3.61985
	Credit officer	14.7705	3.62580

As to approval norms of CGTMSE, the mean for Branch .Manager is 14.8852 and for credit officer it is 14.7705. The standard deviation for Branch Manager is 3.61985 and that of credit officer is 3.62580, denoting no significant difference between the 2 groups.

Guarantee Invoking Norms	**Manger**	19.1148	5.34197
	Credit officer	19.0984	5.17592

For Guarantee invoking norms of CGTMSE, no significant difference is observed as Mean is 19.1148 for branch managers and19.0984 for credit officers. The standard deviation is 5.34197 for branch managers and5.17592 for credit officers.

Payment of Guarantee Fee	**Manger**	13.1967	5.49794
	Credit officer	13.1639	5.43194

No significant difference is being observed between branch managers and credit officers, with Manager showing mean of 13.1967 and credit officer showing 13.1639. The Standard deviation is 5.49794 for branch manager and5.43794 for credit officer.

Awareness About the Scheme	**Manger**	18.0492	1.52125
	Credit officer	18.0000	1.52753

On awareness among MSE about the CGTMSE scheme, both of them are having similar view with mean at 18.0492 for branch managers and 18 for credit officers. The standard deviation is 1.52125 for branch managers and 1.52753 for credit officers.

Collateral	**Manger**	18.8525	1.86937
	Credit officer	18.8525	1.86937

There is no significant difference between the 2 groups as to what constitute a collateral security. Both concur with the observation with same mean of 18.8525 and same standard deviation of 1.86937 for both branch managers and credit officers.

Extend of Cover	**Manger**	10.0492	2.36943
	Credit officer	10.0492	2.36943

On extend of cover both branch managers and credit officers are having the same mean and standard deviation, showing no difference at all.

Mandatory Lending Limit	**Manger**	18.4262	1.14687
	Credit officer	18.3607	1.16951

There is no significant difference between the 2 groups regarding the guidelines of Reserve Bank of India, in fixing the mandatory sub limit with mean at 18.4262 for branch managers and 18.3607 for credit officers. The standard deviation for branch manager is 1.14687 and for credit officer 1.16951.

Non Stipulation Of Sub Limit For Mse Lending Under Priority Sector Lending	**Manger**	13.8852	2.28107
	Credit officer	13.8361	2.35358

Both the group feel that non stipulation of sublimit has not helped growth of CGTMSE lending, especially when sub-limits are fixed for certain other priority segments. There is no significant difference between Managers and credit officers with mean at 13.8852 for branch managers and 13.8361 for credit officers. The standard deviation is at 2.28107 for branch managers and 2.35358 for credit officers.

Margin Stipulated By Bank of Baroda	**Manger**	23.9836	2.20976
	Credit officer	23.9836	2.59802

Both the group agree that non-stipulation of Margin by CGTMSE has given opportunity to bankers to fix margin, margin is obtained as per guidelines of Bank of Baroda on the project cost and that it is obtained for all accounts whether start up or existing and that any asset charged to the bank over and above those acquired out of bank loan is additional security. There is no difference at all for both the groups with mean as 23.9836 and standard deviation for branch manager is 2.20976 and for credit officer is 2.59802, with no significant difference.

Preference Towards Collateral	**Manger**	17.9508	3.33879
	Credit officer	18.0000	3.36650

Both the group prefer collateral security as realization of amount guaranteed by CGT is time consuming and that by increasing the value of collateral, bank need not suffer any loss, in the event of account turning to be NPA. There is no significant difference in their response with mean at 17.9508 for branch managers and 18 for credit officers. The standard deviation is 3.33879 for branch managers and 3.36650 for credit officers.

Z test has confirmed that there is no significant difference between branch manager and credit officer in responding to 70 pre-tested questions administered to them on 11 different variable consisting of 7 for CGTMSE guidelines, 2 for RBI and 2 for BOB.

IDENTIFICATION OF FACTORS INFLUENCING CREDIT DECISION UNDER CGTMSE LENDING:

In this section, the researcher tries to find out the variables influencing the credit decisions regarding CGTMSE lending. Of the 11 variables, considered, the 8 variables for which cronbach alpha is greater than 0.6 is considered for the model identification using structural equations model. In initial model, all the 8 variables were considered with equal weightage. After the confirmatory factor analysis, we got the following indices:

First model

FIT INDICES FOR MODEL

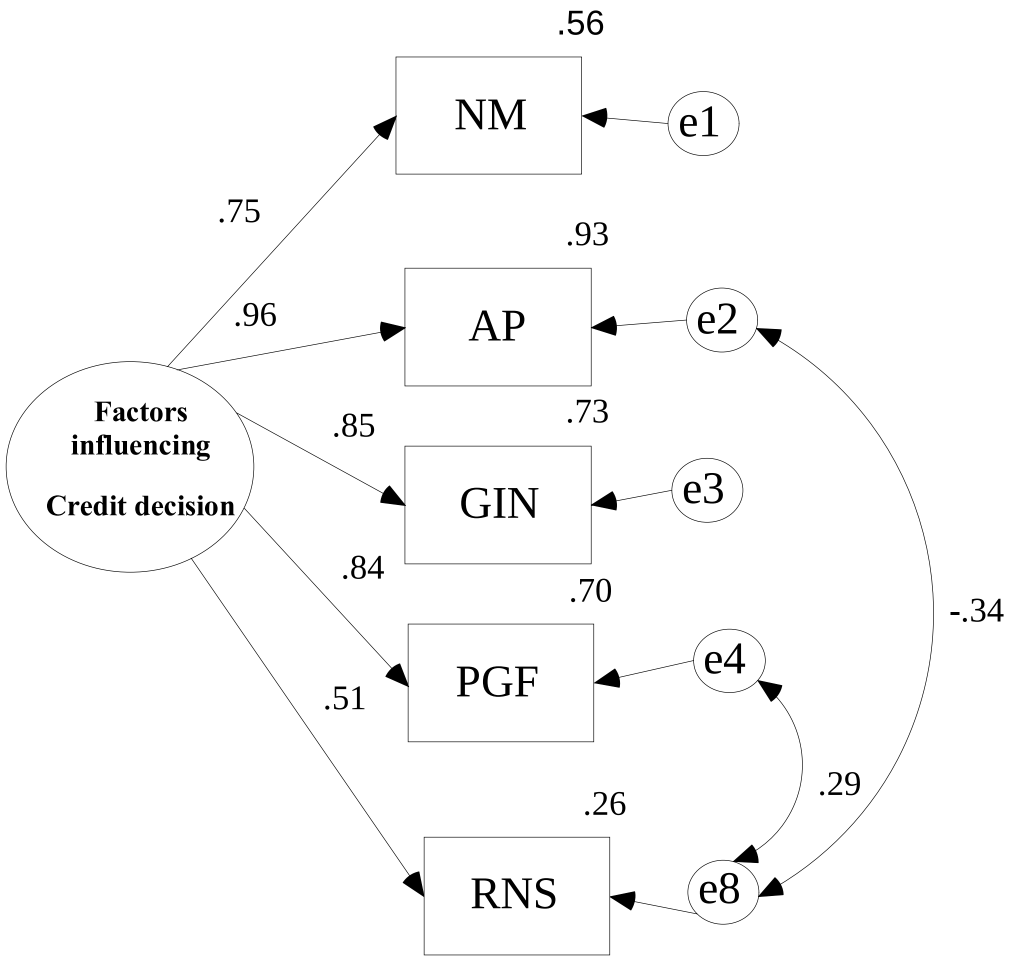
χ^2	**Norm** χ^2	**DF**	**P**	**GFI**	**AGFI**	**NFI**	**TLI**	**CFI**	**RMR**	**RMSEA**
510.628	14.589	35	.000	.551	.294	.488	.358	.501	1.188	.335

From the above model, the normed Chisquare is 14.589 which is very much greater than the permitted value of less than 3. The indices Goodness of Fit Index(GFI), Adjusted Goodness-of-Fit Index (AGFI), Normed Fit Index (NFI), Tucker Lewis index (TLI), Comparative fit index (CFI) , which requires to be greater than 0.9 is not satisfied in this case indicating the modification of the model. So we delete those variables, which has squared correlation less than 0.5 and make necessary connections with error variables to reach the saturated final model. The indices of the final model are as under:

χ^2	χ^2 Norm	DF	P	GFI	AGFI	NFI	TLI	CFI	RMR	RMSEA	SRMR
31.035	2.586	12	.002	.976	.879	.982	.963	.989	.529	.111	0.326

In this case the normed Chisquare is 2.586 which is less than 3 showing a very good fit. GFI, NFI, TLI & CFI is greater than 0.9 and AGFI close of 0.9.

FINAL MODEL



The factor influencing sanction of loan under CGTMSE are NM (Non Mandatory Lending) with a weightage of 0.75, AP (Approval Norms) with a weightage of 0.96, GIN (Guarantee invoking norms) with a weightage of 0.85, PGF (Payment of Guarantee Fee) with a weightage of 0.84 and RNS(Reserve Banks Non Stipulation of sub limit for MSE) with a weightage of .51.The value of .56, .93, .73, .70, .& 26 are the squared correlation of NM, AP, GIN,PGF & RNS with factors influencing credit decision.

4.3.7 Conclusion

Analysis of reliability and validity with Cronbach's alpha proved that for CGTMSE guidelines on non-mandatory lending, approval, guarantee invoking norms & payment of guarantee fee were showing strong consistency Regarding RBI guidelines mandatory lending limit and non-stipulation of sub limit for MSE lending under priority sector lending were showing strong consistency. Regarding BOB guidelines margin stipulated, and preference towards collateral were showing strong consistency. The variables that showed significant consistency related to CGTMSE guidelines, were awareness about the scheme, collateral and extent of guarantee cover. The overall score showed significant consistency with alpha value at 0.688. As data had been obtained from 61 Branch managers and 61 credit officers, Z test was done to establish whether any significant difference was there between Bank Managers and Credit Officers on each variable. Z test confirmed that there were no significant difference between branch manager and credit officer in responding to 70 pre-tested questions administered to them on 11 different variable consisting of 7 for CGTMSE guidelines, 2 for RBI and 2 for BOB. Finally to identify the factors which influenced credit decision under CGTMSE for 122 Br Managers and credit officers, 8 variables for which cronbach alpha is greater than 0.6 is considered for the model identification using structural equations model. In initial model, all the 8 variables were considered with equal weightage. The final model shows that Non-Mandatory lending (NM), Approval norms (AP), Guarantee Invoking Norms (GIN), Payment of Guarantee Fee (PGF) and Reserve Banks Non Stipulation of Sub Limit For MSE Lending Under Priority Sector Lending(RNS) are found to be the factors influencing credit decision for CGTMSE lending. All the above analysis proved that divergence in guidelines issued by CGTMSE, RBI and Bank of Baroda, had contributed to poor growth of CGTMSE lending in Bank of Baroda, in State of Kerala.

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Chapter- 5

ANALYSIS OF AWARENESS OF MICRO AND SMALL ENTERPRISES, ABOUT CGTMSE LENDING

5.1 Introduction

This chapter tries to examine, how MSE clients are aware about CGTMSE scheme. 122 clients from Micro & Small Enterprises category, who had borrowed from Bank of Baroda, other than under CGTMSE were selected at random out of total of 5979 borrowers, banking with Kerala Region of the Bank, with 61 branches in the State. 2 clients were selected per branch. While, so selecting those who have already borrowed under CGTMSE was expressly omitted as, they would have come to know of the scheme when they have borrowed. Awareness level was examined based on 8 variables like Education, Scheme Advertisement, social capital, proximity with Bankers, scheme in vernacular, IT literacy, ability to collect information, attitude of bankers in educating clients. These were selected as each variable were capable of impacting the awareness level of the client. Educational background of an MSE is having a bearing on the awareness level, as more educated MSE were better positioned to know the scheme details, compared to a less educated. Advertisement about the scheme is also having an impact on awareness, as one who had the opportunity to go through the advertisement is in a better position to know the details of the scheme. Social capital plays a vital role in knowing the scheme, as one with more social capital will be more networked. Proximity with bankers is also having a bearing on awareness, as the chances for getting information about the scheme is more for one who is close to bankers than another who is not that close. When scheme details are distributed in vernacular, the opportunity to know more about the scheme is much even for less educated. IT literacy plays an important role in creating awareness. There are clients, who even when they are not aware of what exactly is the scheme, will be capable enough to enquire about it discreetly and collect the relevant information and finally the attitude of the bankers in educating clients is having a vital position as regards creating awareness for the clients are concerned.

Table 5.1 Frequencies

Missing	0
Mean	53.8033
Median	54.0000
Std. Deviation	2.81272
Minimum	49.00
Maximum	64.00
Lower Limit (mean-SD)	50.99
Higher Limit (mean+SD)	56.61

Source: Computed based on Primary Data

The sample is divided into 3 groups based on one sigma limit of the total awareness score as Lower, Medium and High. About 68% of the respondents are in the medium segment, 13.9 % in the low segment and 18 at the high segment. The grouping has been made based on mean and std. deviation. The lower limit has been arrived at by reducing std. deviation from mean and high has been arrived at by adding standard deviation to mean, the medium segment lies in between the high and low.

Score below 51 is low, between 51 to 57 is medium and above 57 is high awareness level.

Table 5.2 Awareness Level of 122 MSE clients

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Low	17	13.9	13.9	13.9
Medium	83	68.0	68.0	82.0
High	22	18.0	18.0	100.0
Total	122	100.0	100.0	

Source: Computed based on Primary Data

Table 5.2 shows that the awareness level of 17 respondents are low, 83 are medium and 22 are high, for the sample of 122.

Table showing dependency of awareness level with education, advertisement, social capital, proximity with bankers, availability of scheme in vernacular, IT literacy, ability to collect information & attitude of bankers

Table 5.3 Mean & standard deviation on Education, Scheme Advertisement, Social Capital Proximity with Bankers, Scheme in vernacular, IT literacy, Ability to Collect Information And Attitude of Bankers

Awareness Level		Education	Scheme Advertisement	Social Capital	Proximity With Bankers	Scheme in vernacular	IT literacy	Ability to collect information	Attitude of bankers
Low	Mean	4.0000	13.0000	5.0000	4.0000	3.0000	5.0000	9.0000	6.3529
	Std. Deviation	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.78591
Medium	Mean	4.8795	13.8434	5.0000	4.8795	4.7590	5.0000	9.0241	6.1205
	Std. Deviation	.32750	1.70710	.00000	.32750	.65501	.00000	.21953	.90254
High	Mean	4.9545	14.5000	5.0000	4.9545	4.9091	5.0000	11.5000	7.5455
	Std. Deviation	.21320	2.48328	.00000	.21320	.42640	.00000	2.73861	2.04071
Total	Mean	4.7705	13.8443	5.0000	4.7705	4.5410	5.0000	9.4672	6.4098
	Std. Deviation	.42225	1.79541	.00000	.42225	.84450	.00000	1.50033	1.28407

Source: Kerala State Small Industries Association

Table 5.4 Education and awareness level

Awareness level		Education
Low	Mean	4.0000
	Std. Deviation	.00000
Medium	Mean	4.8795
	Std. Deviation	.32750
High	Mean	4.9545
	Std. Deviation	.21320
Total	Mean	4.7705
	Std. Deviation	.42225

Source: Computed based on Primary Data

In table 5.4, the educational level of the respondents are grouped as those with no schooling, up to matriculate and graduates and above. The mean goes up from 4 for low, 4.8795 for medium and 4.9545 for high awareness level, denoting that when the education level goes up the awareness level also goes up.

Table 5.5 Advertisement and awareness level

Awareness level		Schemeadvertisement
Low	Mean	13.0000
	Std. Deviation	.00000
Medium	Mean	13.8434
	Std. Deviation	1.70710
High	Mean	14.5000
	Std. Deviation	2.48328
Total	Mean	13.8443
	Std. Deviation	1.79541

Source: Computed based on Primary Data

In table 5.5 advertisement about CGTMSE scheme by CGT, RBI & Banks through print and electronic media are considered. The mean score for advertisement goes up with the awareness level. For low awareness level category the mean is 13, for medium it is 13.8434 and high it is 14.5, denoting that well established dependency is there between advertisement and awareness level.

Table 5.6 Social capital and awareness level

Awareness level		Social Capital
Low	Mean	5.0000
	Std. Deviation	.00000
Medium	Mean	5.0000
	Std. Deviation	.00000
High	Mean	5.0000
	Std. Deviation	.00000
Total	Mean	5.0000
	Std. Deviation	.00000

Source: Computed based on Primary Data

Social capital is the networking or social contacts the respondents have created over a period of time, which he relies upon as a personal investment for getting things done. In table 5.6, the mean does not show dependency between awareness level and social capital, with mean remaining at 5 for all the 3 levels of awareness level viz., low, medium and high.

Table 5.7 Availability of scheme in vernacular and awareness level:

Awareness level		Scheme Details In Vernacular
Low	Mean	3.0000
	Std. Deviation	.00000
Medium	Mean	4.7590
	Std. Deviation	.65501
High	Mean	4.9091
	Std. Deviation	.42640
Total	Mean	4.5410
	Std. Deviation	.84450

Source: Computed based on Primary Data

For matriculate and below, getting scheme details in vernacular will help to better understand the scheme. In table 5.7, the mean shows that it goes up from 3 to 4.75 to 4.90 as the awareness level goes up.

Table 5.8 IT literacy and awareness level

Awareness level		IT Literacy
Low	Mean	5.0000
	Std. Deviation	.00000
Medium	Mean	5.0000
	Std. Deviation	. 00000
High	Mean	5.0000
	Std. Deviation	.00000
Total	Mean	5.0000
	Std. Deviation	.00000

Source: Computed based on Primary Data

Those who are able to get information from internet by browsing are treated as IT literate for the purpose of study. Table 5.8 shows that the mean remains the same for all the 3 groups.

Table 5.9 Proximity with Bankers and Awareness Level

Awareness level		Proximity with Bankers
Low	Mean	4.0000
	Std. Deviation	.00000
Medium	Mean	4.8795
	Std. Deviation	.32750
High	Mean	4.9545
	Std. Deviation	.21320
Total	Mean	4.7705
	Std. Deviation	.42225

Source: Computed based on Primary Data

In table 5.9, the mean shows that proximity with bankers and awareness level is related. At low awareness level the mean is at 4, which goes upto 4.8795 at medium and 4.9545 at high awareness level

Table 5.10 Ability to collect information and awareness level:

Awareness level		Ability to Collect information
Low	Mean	9.0000
	Std. Deviation	.00000
Medium	Mean	9.0241
	Std. Deviation	.21953
High	Mean	11.5000
	Std. Deviation	2.73861
Total	Mean	9.4672
	Std. Deviation	1.50033

Source: Computed based on Primary Data

In table 5.10, the mean calculated for the ability to collect information showed an increasing trend corresponding to the awareness level. It was from 9 to 9.0241 and 11.5 for low, medium and high awareness level respectively.

Table 5.11 Attitude of bankers and awareness level

Awareness level		Attitude of Bankers
Low	Mean	6.3529
	Std. Deviation	.78591
Medium	Mean	6.1205
	Std. Deviation	.90254
High	Mean	7.5455
	Std. Deviation	2.04071
Total	Mean	6.4098
	Std. Deviation	1.28407

Source: Computed based on Primary Data

Table 5.11 shows that the mean desired for attitude of bankers at low awareness level is 6.3529, which was further down to 6.1205 for the medium awareness increased to 7.5455 for high awareness level explaining that the attitude of bankers do not increase according to the awareness level.

5.2 Findings

From the above tables it is obvious that as the awareness level increases the average score of the variables (education , advertisement, social capital, proximity with bankers, availability of scheme in vernacular, IT literacy, ability to collect information & attitude of bankers) increases except for Social capital, IT awareness and attitude of bankers, though, the mean comes down for medium from low and goes up for the high awareness level. In other words there exists a well established dependency between the awareness level variables considered for the study. To test whether this type of dependency exist in the population or not a one way ANOVA was conducted, which found significant at 5% level.

Table 5.12 Table showing dependency of awareness with selected variables.

		Sum of Squares	df	Mean Square	F	Sig.
Education	Between Groups	11.824	2	5.912	72.159	<.001
	Within Groups	9.750	119	.082		
	Total	21.574	121			
Advertisement About The Scheme	Between Groups	21.577	2	10.789	3.484	.034
	Within Groups	368.464	119	3.096		
	Total	390.041	121			
Proximity With Bankers	Between Groups	11.824	2	5.912	72.159	<.001
	Within Groups	9.750	119	.082		
	Total	21.574	121			
Scheme Details in vernacular	Between Groups	47.296	2	23.648	72.159	<.001
	Within Groups	38.999	119	.328		
	Total	86.295	121			
Ability to collect information.	Between Groups	110.917	2	55.459	40.876	<.001
	Within Groups	161.452	119	1.357		
	Total	272.369	121			
Passive Attitude Of Bankers	Between Groups	35.376	2	17.688	12.824	<.001
	Within Groups	164.132	119	1.379		
	Total	199.508	121			

Source: Computed based on Primary Data

The dependency that exist between low, medium and high level of awareness, in respect of each variable is tested, as also the dependency with in the group itself based on each variable is tested. Finally to identify which groups are different we conduct the Tukey's post hoc test.

Table 5.13 Post Hoc Tests

Multiple Comparisons

Tukey HSD

Dependent Variable	(i) Awareness Level	(j) Awareness Level	Mean Difference (I-J)	Std. Error	Sig.	Lower Bound	Upper Bound
Education	Low	Medium	-.8795(*)	.07620	<.001	-1.0604	-.6987
		High	-.9545(*)	.09243	<.001	-1.1739	-.7352
	Medium	Low	.9545(*)	.09243	<.001	.7352	1.1739
		Medium	.0750	.06864	.520	-.0879	.2379
	High	Low	.9545(*)	.09243	<.001	.7352	1.1739
		Medium	.0750	.06864	.520	-.0879	.2379
Advertisement about the scheme	Low	Medium	-.8434	.46845	.174	-1.9552	.2684
		High	-1.5000(*)	.56823	.025	-2.8486	-.1514
	Medium	Low	.8434	.46845	.174	-.2684	1.9552
		High	-.6566	.42196	.269	-1.6581	.3448
	High	Low	1.5000(*)	.56823	.025	.1514	2.8486
		Medium	.6566	.42196	.269	-.3448	1.6581
Proximity with bankers,	Low	Medium	-.8795(*)	.07620	<.001	-1.0604	-.6987
		High	-.9545(*)	.09243	<.001	-1.1739	-.7352
	Medium	Low	.8795(*)	.07620	<.001	.6987	1.0604
		High	-.0750	.06864	.520	-.2379	.0879
	High	Low	.9545(*)	.09243	<.001	.7352	1.1739
		Medium	.0750	.06864	.520	-.0879	.2379
Scheme details in vernacular	Low	Medium	-1.7590(*)	.15240	<.001	-2.1207	-1.3973
		High	-1.9091(*)	.18486	<.001	-2.3478	-1.4703
	Medium	Low	1.7590(*)	.15240	<.001	1.3973	2.1207
		High	-.1501	.13728	.520	-.4759	.1758
	High	Medium	-.0241	.31009	.997	-.7601	.7119
		High	-2.5000(*)	.37614	<.001	-3.3927	-1.6073
Ability to collect information	Law	Low	.0241	.31009	.997	-.7119	.7601
		High	-2.4759(*)	.27931	<.001	-3.1388	-1.8130
	Medium	Low	.0241	.31009	.997	-.7119	.7601
		High	-2.4759(*)	.27931	<.001	-3.1388	-1.8130
	High	Low	2.5000(*)	.37614	<.001	1.6073	3.3927
		Medium	2.4759(*)	.27931	<.001	1.8130	3.1388
Passive Attitude of Bankers	Low	Medium	.2325	.31265	.738	-.5096	.9745
		High	-1.1925(*)	.37924	.006	-2.0926	-.2924
	Medium	Low	-.2325	.31265	.738	-.9745	.5096
		High	-1.4250(*)	.28162	<.001	-2.0934	-.7566
	High	Low	1.1925(*)	.37924	.006	.2924	2.0926
		Medium	1.4250(*)	.28162	<.001	.7566	2.0934

Source: Computed based on Primary Data

For the education there existed a significant difference between the mean of the lower and medium level and high level of awareness. But the difference we observed in medium level and high level is only a sample characteristics. For advertisement about the scheme there existed a significant difference between the mean of the lower and high awareness level. For proximity with bankers, there existed a significant difference between the mean of low with the awareness level of medium and high. For scheme details in vernacular there is a significant difference between the mean of low with the awareness level of medium and high. For ability to collect information also there is a significant difference between low with high and medium with high level of awareness.

5.3 Analysis of awareness of MSE about CGTMSE lending for Non-Bank of Baroda customers.

Two hundred and twenty Micro & Small Enterprises , who are not clients of Bank of Baroda were selected at random out of 437 members of Kerala State Small Industries Association , to assess the awareness of MSE about CGTMSE. Awareness level of MSE about CGTMSE was examined for non BOB customers based on 8 variables viz., Education, Scheme Advertisement, Social Capital, Proximity with Bankers, Scheme in Vernacular, IT Literacy, Ability to Collect Information and Attitude of Bankers in educating clients. These were selected as each of the variable was capable of impacting the awareness level of the client. Educational background of an MSE is having a bearing on the awareness level, as more educated MSE were better positioned to know the scheme details, compared to less educated. Advertisement about the scheme is also having an impact on awareness, as one who had the opportunity to go through the advertisement is in a better position to know the details of the scheme. Social capital plays a vital role in knowing the scheme, as one with more social capital will be more networked. Proximity with bankers is also having a bearing on awareness, as the chances for getting information about the scheme is more for one who is close to bankers than another who is not that close. When scheme details are distributed in vernacular, even the less educated MSE will have better opportunity to understand the details of the scheme. IT literacy also plays an important role in creating greater awareness. The attitude of Bankers in educating clients about CGTMSE, can be highly beneficial for creating awareness about the scheme among MSE.

Table 5.14 Frequencies

Missing	0
Mean	44.6591
Std. Deviation	2.62533

Source: Primary Data

The sample is divided into 3 groups based on one sigma limit of the total awareness score as Lower, Medium and High. About 21.8% of the respondents are in the Low segment, 54.1 % in the Medium segment and 24.1% at the high segment. The grouping has been made based on mean and std. deviation. The lower limit has been arrived at by reducing std. deviation from mean and high has been arrived at by adding standard deviation to mean, the medium segment lies in between the high and low.

Table 5.15 Awareness Level of 220 MSE clients

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Low	48	21.8	21.8	21.8
Medium	119	54.1	54.1	75.9
High	53	24.1	24.1	100.0
Total	220	100.0	100.0	

Source: Primary data

Table 5.15 shows that the awareness level of 48 respondents are low, 119 are medium and 53are high, for the sample of 220.

Table 5.16 Mean & standard deviation showing dependency of awareness level with Education, Scheme Advertisement, Social Capital, Proximity with Bankers, Availability of Scheme in Vernacular, IT literacy, Ability to Collect Information & Attitude of Bankers

Awareness Level		Education	Scheme Advertis ement	Social Capital	Proximity With Bankers	Scheme in verna cular	IT lite racy	Ability to collect infor mation	attitude of bankers
Low	Mean	5.0000	13.0417	4.2500	3.6667	2.1667	3.6667	5.0000	5.0000
	Std. Deviation	.00000	2.05207	1.27996	.90703	.37662	.90703	.00000	.00000
Medium	Mean	4.8151	16.2773	3.1345	4.5966	2.1345	4.5966	4.2941	4.2941
	Std. Deviation	38984	1.19975	1.56186	.74013	.53559	.74013	.93295	.93295
High	Mean	5.0000	17.0377	4.9245	5.0000	2.1321	5.0000	4.6604	4.6604
	Std. Deviation	.00000	.47887	.38476	.00000	.44018	.00000	.75812	.75812
Total	Mean	4.9000	15.7545	3.8091	4.4909	2.1409	4.4909	4.5364	4.5364
	Std. Deviation	.30068	1.97328	1.51399	.83031	.48083	.83031	.82956	.82956

Source: Primary Data

Table 5.17 Education and awareness level

Awareness level		Education
Low	Mean	5.0000
	Std. Deviation	.00000
Medium	Mean	4.8151
	Std. Deviation	0.38984
High	Mean	5.0000
	Std. Deviation	0.00000
Total	Mean	4.9000
	Std. Deviation	0.30068

Source: Primary data

In table 5.17, the educational level of the respondents are grouped as those with no schooling, up to matriculate and graduates and above. For Low awareness level, the mean score is 5.000 which comes down to to 4.8151 for medium and moves up to 5.000 for high awareness level, denoting that , awareness level about the CGTMSE do not go up along with education. It shows that there is no relation between education and awareness level

Table 5.18 Scheme Advertisement and awareness level

Awareness level		Scheme advertisement
Low	Mean	13.0417
	Std. Deviation	2.05207
Medium	Mean	16.2773
	Std. Deviation	1.19975
High	Mean	17.0377
	Std. Deviation	.47887
Total	Mean	15.7545
	Std. Deviation	1.97328

Source: Primary data

In table 5.18, advertisement about CGTMSE scheme by CGT, RBI & Banks through print and electronic media are considered. The mean score for advertisement goes up with the awareness level. For low awareness level category the mean is 13.0417, for medium it is 16.2773 and high it is 17.0377, denoting that well established dependency is there between advertisement and awareness level.

Table 5.19 Social capital and awareness level

Awareness level		Social Capital
Low	Mean	4.2500
	Std. Deviation	1.27996
Medium	Mean	3.1345
	Std. Deviation	1.56186
High	Mean	4.9245
	Std. Deviation	.38476
Total	Mean	3.8091
	Std. Deviation	1.51399

Source: Primary data

Social capital is the networking or social contacts the respondents have created over a period of time, which he relies upon as a personal investment for getting things done. In table 5.19, the mean does not show dependency between awareness level and social capital, with mean remaining at 4.2500 for low, at 3.1345 for medium and at 4.9245 for high levels of awareness level.

Table 5.20 Availability of scheme in vernacular and awareness level:

Awareness level		Scheme Details In Vernacular
Low	Mean	2.1667
	Std. Deviation	.37662
Medium	Mean	2.1345
	Std. Deviation	.53559
High	Mean	2.1321
	Std. Deviation	.44018
Total	Mean	2.1409
	Std. Deviation	.48083

Source:Primary Data

Table 5.20 shows that the mean comes down from 2.1667 for low to 2.1345 for medium and 2.1321 for the high denoting that at low awareness level, getting scheme details in vernacular will help to better understand the scheme, at low level of awareness.

Table 5.21 IT literacy and awareness level

Awareness level		IT Literacy
Low	Mean	3.6667
	Std. Deviation	.90703
Medium	Mean	4.5966
	Std. Deviation	.74013
High	Mean	5.0000
	Std. Deviation	.00000
Total	Mean	4.4909
	Std. Deviation	.83031

Source: Primary Data

Those who are able to get required details using Information Technology are treated as IT literate for the purpose of the study. Table 5.21 shows that the mean remains at 3.6667 for low, goes upto 4.5966 for medium and 5.0 for high. The mean goes up as the awareness level goes up showing that there is strong consistency between IT literacy and awareness level.

Table 5.22 Proximity with Bankers and Awareness Level

Awareness level		Proximity with Bankers
Low	Mean	3.6667
	Std. Deviation	.90703
Medium	Mean	4.5966
	Std. Deviation	.74013
High	Mean	5.0000
	Std. Deviation	.00000
Total	Mean	4.4909
	Std. Deviation	.83031

Source: Primary Data

In table 5.22, the mean shows that proximity with bankers and awareness level is related. At low awareness level the mean is at 3.6667 which goes upto 4.5966 at medium and 5.0 at high awareness level.

Table 5.23 Ability to collect information and awareness level:

Awareness level		Ability to Collect information
Low	Mean	5.0000
	Std. Deviation	.00000
Medium	Mean	4.2941
	Std. Deviation	.93295
High	Mean	4.6604
	Std. Deviation	.75812
Total	Mean	4.5364
	Std. Deviation	.82956

Source: Primary Data

In table 5.23, the mean calculated for the ability to collect information shows varying trend. The mean at low level shows 5.0, which has come down to 4.2941 for medium and has increased to 4.6604 showing that the ability to collect information do not go up along with awareness level.

Table 5.24 Attitude of bankers and awareness level

Awareness level		Attitude of Bankers
Low	Mean	5.0000
	Std. Deviation	.00000
Medium	Mean	4.2941
	Std. Deviation	.93295
High	Mean	4.6604
	Std. Deviation	.75812
Total	Mean	4.5364
	Std. Deviation	.82956

Source: Primary Data

Table 5.24 shows that the mean for attitude of bankers at low awareness level is 5.0, which came down to 4.2941 for the medium awareness and increased to 4.6604 for high awareness level explaining that the mean for attitude of bankers do not go up according to the awareness level.

Finding:

From the above tables it is revealed that as the awareness level increases the average score of the variables (Advertisement, Proximity with Bankers, IT literacy) increases except for Education, Social capital, Ability to Collect information and Attitude of Bankers, denoting that, Scheme Advertisement, Proximity of MSE with Bankers and IT literacy of MSE has helped to increase the awareness level of MSE about CGTMSE. Scheme details in vernacular has helped the low awareness group to know more about the CGTMSE, as the low awareness group shows the highest mean. To test whether this type of dependency exist in the population or not a one way ANOVA test was conducted, which found significant at 5% level.

Table 5.25 Table showing dependency of awareness with selected variables.

		Sum of Squares	df	Mean Square	F	Sig.
Education	Between Groups	1.867	2	.934	11.297	<.001
	Within Groups	17.933	217	.083		
	Total	19.800	219			
Advertisement About The Scheme	Between Groups	473.056	2	236.528	135.180	<.001
	Within Groups	379.690	217	1.750		
	Total	852.745	219			
Proximity With Bankers	Between Groups	47.676	2	23.838	50.074	<.001
	Within Groups	103.305	217	.476		
	Total	150.982	219			
Scheme Details in vernacular	Between Groups	.041	2	.020	.088	.916
	Within Groups	50.591	217	.233		
	Total	50.632	219			
Ability to collect information.	Between Groups	18.116	2	9.058	14.825	<.001
	Within Groups	132.593	217	.611		
	Total	150.709	219			
Passive Attitude Of Bankers	Between Groups	18.116	2	9.058	14.825	<.001
	Within Groups	132.593	217	.611		
	Total	150.709	219			

Source: Primary data

The dependency that exist between low, medium and high level of awareness, in respect of each variable is tested, as also the dependency within the group itself based on each variable is tested. Finally to identify which groups are different we conduct the Tukey's post hoc test.

Table 5.26 Post Hoc Tests

Multiple Comparisons

Tukey HSD

Dependent Variable	(i) Awareness Level	(j) Awareness Level	Mean Difference (I-J)	Std. Error	Sig.	Lower Bound	Upper Bound
Education	Low	Medium	.18487(*)	.04915	.001	.0689	.3009
		High	.00000	.05728	1<.001	-.1352	.1352
	Medium	Low	-.18487(*)	.04915	.001	-.3009	-.0689
		High	-.18487(*)	.04747	<.001	-.2969	-.0728
	High	Low	.00000	.05728	1<.001	-.1352	.1352
		Medium	.18487(*)	.04747	<.001	.0728	.2969
Advertisement about the scheme	Low	Medium	-3.23564(*)	.22618	<.001	-3.7694	-2.7019
		High	-3.99607(*)	.26356	<.001	-4.6181	-3.3741
	Medium	Low	3.23564(*)	.22618	<.001	2.7019	3.7694
		High	-.76042(*)	.21844	.002	-1.2759	-.2449
	High	Low	3.99607(*)	.26356	<.001	3.3741	4.6181
		Medium	.76042(*)	.21844	.002	.2449	1.2759
Proximity with bankers,	Low	Medium	-.92997(*)	.11798	<.001	-1.2084	-.6516
		High	-1.33333(*)	.13748	<.001	-1.6578	-1.0089
	Medium	Low	.92997(*)	.11798	<.001	.6516	1.2084
		High	-.40336(*)	.11394	.001	-.6723	-.1345
	High	Low	1.33333(*)	.13748	<.001	1.0089	1.6578
		Medium	.40336(*)	.11394	.001	.1345	.6723
Scheme details in vernacular	Low	Medium	.03221	.08256	.920	-.1626	.2270
		High	.03459	.09621	.931	-.1924	.2616
	Medium	Low	-.03221	.08256	.920	-.2270	.1626
		High	.00238	.07974	1<.001	-.1858	.1906
	Low	Medium	-.03459	.09621	.931	-.2616	.1924
		High	-.00238	.07974	1<.001	-.1906	.1858
Ability to collect information	Medium	Low	.70588(*)	.13366	<.001	.3905	1.0213
		High	.33962	.15575	.077	-.0279	.7072
	Medium	Low	-.70588(*)	.13366	<.001	-1.0213	-.3905
		High	-.36626(*)	.12909	.014	-.6709	-.0616
	High	Low	-.33962	.15575	.077	-.7072	.0279
		Medium	.36626(*)	.12909	.014	.0616	.6709
Attitude of Bankers	Low	Medium	.70588(*)	.13366	<.001	.3905	1.0213
		High	.33962	.15575	.077	-.0279	.7072
	Medium	Low	-.70588(*)	.13366	<.001	-1.0213	-.3905
		High	-.36626(*)	.12909	.014	-.6709	-.0616
	High	Low	-.33962	.15575	.077	-.7072	.0279
		Medium	.36626(*)	.12909	.014	.0616	.6709

Source: Primary Data

Findings:

There exists a well established dependency between Scheme advertisement, proximity with bankers and IT and the level of awareness of Micro and Small enterprise clients. The mean of these variables are going up as the awareness level goes up. The one way ANOVA test revealed that dependency exist in the population at 5% significance level

5.4 Conclusion

The above analysis reveals that informed borrowers, who are aware of the scheme will more likely come for availing the advance under CGTMSE than another client, who is not aware of the scheme. The awareness gap among MSE about CGTMSE keeps the customer away from the scheme.

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Chapter- 6

PROBLEMS FACED BY BORROWERS IN AVAILING ADVANCE UNDER CGTMSE FROM BANK OF BARODA, KERALA.

Introduction: This chapter has been divided into 2 parts. Part I deals with analysis of CGTMSE borrowers both segment wise and district wise in Kerala. Part II elucidates the analysis of primary data obtained for borrowers, who availed credit under CGTMSE from Bank of Baroda, Kerala.

PART - 1

ANALYSIS OF CGTMSE BORROWERS IN KERALA, SEGMENT WISE AND DISTRICT WISE

The bank wise data obtained for Kerala has been grouped under public sector banks, old generation private banks, new generation banks, grameen banks, SIDBI, Foreign Banks and others.

Analysis of Sector wise Classification of CGTMSE Lending in Kerala:

Table 6.1 Sector wise classification

	Average borrowers			Percentage of change	
	2007-08	**2008-09**	**2009-10**	**2008-09**	**2009-10**
Public sector Banks (26 banks)	1077	1903	4487	76.79	135.76
Old generation private banks	3.	33	153	1000	366.04
New generation banks	31	40	176	28.39	343.22
Grameen banks	114	177	179	55.94	0.63
SIDBI	289	641	1340	121.80	109.48
Foreign	8	8	16	0	106.67
Others	-	25	198	-	708.16

Source: Computed based on Primary Data

Table 6.1 shows that public sector banks leads in CGTMSE lending with highest average borrowers for 2007-2008, 2008-2009 &2009-2010. For 2007-

2008, PSU banks had an average of 1077 borrowers per bank, which has gone up to 1903 borrowers in 2008-2009, which again has gone up to 4487 borrowers for 2009-2010.

Old generation private sector banks participation in the lending shows an average of 3 borrowers per bank in 2008, 33 in 2009 and 153 in 2010. New generation banks have performed better than old generation private sector banks, with 31 borrowers in 2008, 40 borrowers in 2009 and 176 borrowers in 2010.

Grameen banks have given credit to 114 in 2008, 177 in 2009 and 179 in 2010

SIDBI has disbursed 289 borrowers in 2007, 641 in 2008 & 1340 in 2010.

In 2008, the biggest lender was PSU banks with 1077 accounts in average per bank, followed by SIDBI with 289 accounts. During the year old generation private banks had a very poor show with just 3 accounts per bank for the whole state.

In 2009, PSU Banks kept the lead with 1903 accounts followed by SIDBI with 641 accounts. Foreign banks functioning in the state had an outstanding number of 8 accounts per bank, which is the lowest for 2009.

In 2010 PSU banks continued the lead with 4487 clients, followed by SIDBI with 1340 accounts. The lowest contributor was foreign banks with 16 accounts.

In 2009, the highest percentage change has been registered by old generation private banks at 1000 due to the poor base figure. They continued to lead the relative % of change because of the same reason.

Table 6.2 Analysis of Sector wise classification of CGTMSE lending in Kerala

(Amount in lakh)

	Average amount of advance			**Percentage of change**	
	2007-08	**2008-09**	**2009-10**	**2008-09**	**2009-10**
Public sector Banks (26 banks)	319.04	435.57	897.12	36.52	105.96
Old generation private banks	7.11	44.48	284.06	525.60	538.62
New generation banks	630.52	912.61	5636.14	44.74	517.58
Grameen banks	151.15	427.85	914.27	183.06	113.69
SIDBI	205.71	269.05	323.5	31.21	20
Foreign	231.5	214.27	463.85	-7.45	116.48
Others	-	61.52	491.17	-	698.39

Source: Computed based on Primary Data

Table 6.2 shows that public sector banks have disbursed Rs.897/- lakh for 09-10 against Rs.435/- lakh in 08-09 registering an increase of105.96% over the previous year. The disbursement for 07-08 wasRs. 319/- lakh, from which it has shown an increase of 36.52%. The disbursements for old generation private banks have grown from Rs.7.11 lakh to Rs.44.48 lakh to Rs.284.06 lakh for the year 07-08, 08-09 & 09-10 registering an increase of 525.6 % over 07-08 & 08-09, and 538.62% for the year 08-09 &09-10. The substantial increase over the previous year is due to the poor figure for the base year. New generation banks have registered substantial increase over the base year especially during 09-10 showing an increase of 517.78% over 09-10 more than the base year of 08-09. In absolute terms the disbursement has increase from Rs.912.61 lakh to Rs.5636.14 lakh. From 07-08 to 08-09, it has shown an increase of 44.74% and the absolute figures shows an increase from Rs.630,52 to Rs.912.61 lakh. Grameen bank's disbursement has grown from Rs. 151.15 lakh in 07-08 to Rs 427.85 lakh in 08-09 to Rs. 914.27 lakh in 09-10 registering an increase of 183.06% over 07-08 to 08-09 and 113.69% from 08-09 to 09-10. SIDBI's disbursement has grown from Rs.205.71 lakh to Rs. 269.05 lakh to Rs.323.50 from 07-08, to 08-09 to 09-10 registering an increase of 31.21% from 07-08 to 08-09 and 20% from 08-09 to 09-10. Foreign banks have disbursed Rs.231.5 lakh in 07-08, 214.27 in 08-09 and Rs. 463.85 lakh in 09-10 showing a decrease of 7.45% from 07-08 to 08-09 and an increase of Rs. 116.48 lakh from 08-09 to 09-10. The rest of the Member Lending Institutions have made disbursement of Rs. 61.52 lakh in 08-09 to Rs. 491.17 lakh in 09-10.

Analysis of District wise, average amount of advance under CGTMSE for 2007-08, 2008-09 & 2009- 10 for Kerala

Table 6.3 Amount of advance under CGTMSE in Kerala

(amount in lakh)

	Amount of advance			Percentage of change	
	2007-08	**2008-09**	**2009-10**	**2008-09**	**2009-10**
Allapuzha	574.45	823.05	2625.45	43.28	219.08
Ernakulam	1375.26	2615.17	5198.07	90.16	98.77
Idukki	97.11	158.02	582.28	62.72	268.57
Kannur	370.53	558.35	1565.99	50.69	180.55
Kasargode	98.76	146.28	651.85	48.12	345.61
Kollam	2003.65	1034.27	1560.13	-48.38	50.84
Kottayam	431.78	722.65	1625.08	67.37	124.88
Kozhikode	495.71	781.10	1167.49	57.57	49.46
Malapuram	319.59	683.14	1544.70	113.76	126.12
Palakkad	473.40	1003.12	2165.93	111.90	115.91
Pathanamthitta	134.34	342.26	1133.61	154.77	231.21
Trivandrum	1023.04	1647.69	2991.43	61.06	81.55
Trichur	661.31	1429.52	2614.86	116.16	82.91
Wayanad	59.37	137.14	324.43	130.99	136.56
Total	**8118.30**	**12081.76**	**25751.30**	**148.82**	**213.41**

Source: Computed based on Primary Data

In table 6.3, average amount of lending under CGTMSE for all district put together shows a steep increase. From Rs.8118.30 lakh in 2007-2008, the average amount has grown to Rs.12081.76 lakh in 2008-2009 and to Rs.25751.30 lakh in 2009-2010. The average advance has grown by Rs.1060.16 lakh in 2008-2009 and byRs. 2111.80 lakh in 2009-2010.

The highest absolute advance for CGTMSE is given by Kollam district with 2003.65 lakh in 2007-2008, quickly followed by Ernakulam district with Rs. 1375.26 lakh. During the year, the lowest outstanding advance went to Wayanad with just Rs.59.37 lakh, quickly followed by Idukki with Rs.97.11 lakh. Ernakulam raks as the first district with highest lending under the scheme in 2008-2009 with Rs.2615.17 lakh, closely followed by Trivandrum wiRs.1647.69 lakh. The lowest aggregate outstanding loan goes to Wayanad with Rs.137.14 lakh, followed by Kasargode with Rs.146.28 lakh. Ernakulam maintained and improved its premier position with highest outstanding loan in 2009-2010 with aggregate outstanding of Rs.5198.07lakh, followed by Trivandrum with Rs.2991.43 lakh. Again, the lowest outstanding goes to Wayanad with Rs.324.43 lakh followed by Iddukki with Rs. 582.28 lakh.

In 2007-2008 Kollam showed an outstanding of 24.67% of the total lending in Kerala, with just 0.007 % of the aggregate outstanding at Wayanad. In 2008-2009, the highest outstanding of 21.64 % of aggregate Kerala lending was in Ernakulam while the lowest lending of just 0.01% in Wayanad. In 2009-10 Ernakulam took 20.18% of aggregate total of Kerala and Wayanad was happy with just 0.01 % of the total.

The highest growth in relative terms was made by Pathanamthitta District with 154.77% growth in 2008-2009 over immediately followed by Wayanad with 130.99 % of growth. Kollam has made a negative growth of 48.38% in 2008-2009. In 2009-10, Kasargod registered the highest growth of 345.61%, followed by Idukki with 268.57%.

PART - 2

ANALYSIS OF PRIMARY DATA OBTAINED FOR BORROWERS FROM BANK OF BARODA, KERALA, WHO HAVE AVAILED CREDIT UNDER CGTMSE

Table 6.4 Yearwise Number and Amount Outstanding For Bank of Baroda, Kerala Region

	No. of a/cs	Amt. O/s (lakh)
Mar-04	5	2.35
Mar-05	3	6.59
Mar-06	15	84.19
Mar-07	54	277.41

Source: Bank of Baroda

Table 6.4 shows that in March 2004, 5 accounts were outstanding with Rs. 2.35 lakh. In 2005 the number of account came down to 3, but the amount outstanding went up to Rs.6.59/- lakh. In 2006, the number of account increased to 15 from 3 and the amount outstanding also went up to Rs.84.19 lakh in 2007, there was more than a three fold increase in the number of accounts from 15 to 54 and the amount disbursed reached Rs. 277.41 lakh.

Table 6.5 Branch wise distribution of the 54 accounts along with limit sanctioned as at March 2007

No of a/c	Branch	Name of the unit		Limit	Sanction
1	Todupuzha	Little flower printers	WC	200000	3.11.2005
2		Photo express	WC	500000	19.12.2005
3		Anish Engineers	TL	127500	25.2.2006
4		Entec components	TL	285000	27.3.2006
5		Entec components	WC	150000	14.6.2006
6		P.R.Industries	WC	500000	27.3.2006
7		star rubber products	TL	198750	27.3.2006
8	Kottayam	Sankers Rubber	WC	125000	11.11.2004

9		Sankers Rubber	TL	350000	11.11.2004
10		Jorimatha Rumix Industries	WC	150000	11.9.2005
11		7cees group	TL	114200	11.9.2005
12		Chirayil well ring	TL	50000	27.3.2006
13	Tellicherry	Poiloor crushers	TL	2000000	21.10.2005
14		Poiloor crushers	WC	500000	21.10.2005
15		Thekkumkottil Herbal	WC	500000	13.12.2005
16		Thekkumkottil Herbal	TL	1000000	13.12.2005
17		Sabary Aluminium Co	TL	1500000	10.10.2006
18		Sabary Aluminium Co	WC	1000000	10.10.2006
19	Alwaye	Parayil bake house	WC	1000000	18.11.2005
20		Formost ortho	WC	515000	19.9.2005
21		Formost ortho	TL	800000	15.12.2005
22		Formost ortho	WC	1000000	19.12.2005
23		Skylark	WC	200000	27.3.2006
24		Skylark	TL	300000	27.3.2006
25		Pie Automation	TL	1500000	14.6.2006
26		Pie Automation	WC	1000000	10.10.2006
27		Mascot Frozen foods	WC	2000000	14.6.2006
28	Calicut	Lekshmi Indus	TL	1140000	10.10.2006
29		Lekshmi Indus	WC	1200000	10.10.2006
30		Radha die works	TL	69000	23.01.2007
31		Radha die works	WC	25000	23.1.2007
32		Kairali drugs	TL	900000	23.1.2007
33	Kalamassery	Starpet industries	WC	400000	10.10.2006
34		Starpet industries	TL	725000	10.10.2006
35	Vazhappally	New Anchor Polimers	WC	200000	7.12.2005
36		Utility services	WC	100000	7.12.2005
37		Zion bag industries	WC	450000	25.2.2006
38		Sailex polimers	WC	300000	25.2.2006
39		Perfect garments	TL	100000	28.8.2006
40		Ozone	TL	200000	28.8.2006

41	Ernakulam Nort	AM Powerwood	WC	2000000	27.3.2006
42		Payayil Enterprises	WC	175000	20.12.2006
43	Trichur	Navayug Industries	TL	1650000	27.3.2006
44		Navayug Industries	WC	150000	27.3.2006
45	Trivandrum	Gayathri wetmix	TL	15000	3.1.2007
46	Kangangad	Royal granites	TL	976000	19.12.2005
47	Mathilakom	Excel Industries	TL	1600000	26.12.2005
48		Excel Industries	WC	800000	26.12.2005
49	Quilon	vaisakh insustries	WC	500000	31.1.2006
50		vaisakh insustries	TL	80000	10.2.2006
51	Angamaly	Spectracon	WC	275400	14.6.2006
52		Spectracon	TL	864440	14.6.2006
53		V.I.Plastics	WC	200000	14.6.2006
54		V.I.Plastics	TL	550000	14.6.2006
				33210290	

(TL = Term loan, WC= working capital)

Source: Bank of Baroda

Analysis of Number of Accounts & limit Wise.

In table 6.6, as per primary data collected from Bank of Baroda, Kerala Region as of March 2007, Bank has made the highest lending of 24.1% in 13 accounts with limit ranging from one toRs.2.5 lakh. The lowest lending of 5.6 % in 3 accounts has been made in the range of5 to 7.5 lakh. Up to one lakh limit the Bank has made 7 accounts. For limit ranging fromRs. 2.5 lakh to Rs. 5 lakh bank has sanctioned 12 accounts constituting 22.2 % of its aggregate lending. At the highest level bank has sanctioned 9 accounts committing 16.7% of its aggregate borrowers. Only 6 branches have lend for amounts exceeding 10 lakh, of which 3 branches have sanctioned 2 accounts each, with the other three only one account each. Up to one lakh only 2 branches are have sanctioned advance under CGTMSE. Alwaye with 9 accounts tops the lending, with just one account for Trivandrum & Kangangad.

Table 6.6 Amount wise sanction for Bank of Baroda, Kerala

Region	Amount advance						Total
	0-100000	100001-250000	250001-500000	500001-750000	750001-1000000	0-100000	
Alwaye		1	1	1	4	2	9
		11.1%	11.1%	11.1%	44.4%	22.2%	100.0%
Angamaly		1	1	1	1		4
		25.0%	25.0%	25.0%	25.0%		100.0%
Calicut	2				1	2	5
	40.0%				20.0%	40.0%	100.0%
Ernakulam nort		1				1	2
		50.0%				50.0%	100.0%
Kalamassery			1	1			2
			50.0%	50.0%			100.0%
Kangangad					1		1
					100.0%		100.0%
Kottayam	1	3	1				5
	20.0%	60.0%	20.0%				100.0%
Mathilakom					1	1	2
					50.0%	50.0%	100.0%
Quilon	1		1				2
	50.0%		50.0%				100.0%
Tellicherry			2		2	2	6
			33.3%		33.3%	33.3%	100.0%
Todupuzha		4	3				7
		57.1%	42.9%				100.0%
Trichur		1				1	2
		50.0%				50.0%	100.0%
Trivandrum	1						1
	100.0%						100.0%
Vazhappally	2	2	2				6
	33.3%	33.3%	33.3%				100.0%
Total	7	13	12	3	10	9	54
	13.0%	24.1%	22.2%	5.6%	18.5%	16.7%	100.0%

Source: Bank of Baroda - Computed from Primary Data

Composition of Working Capital & Term Lending:
Working capital

Table 6.7 shows that the working capital lending 6.9% (2 accounts) was made for limit upto one lakh. 31% in 9 accounts each for limits fro 1 to Rs.2.5 lakh and Rs.2.5 – 5 lakh. 3.4% of lending in 1 account was in the range of Rs.5- 7.5 lakh, 17.2% in 5 accounts in the bracket of Rs.7.5 – 10 lakh and 10.3% in 3 accounts with limit over Rs.10 lakh.

Term lending

Highest lending of 24% in 6 accounts was made in accounts exceeding Rs.10 lakh. The lowest of 8% in 2 accounts are made in the range of Rs.5 – 7.5 lakh. 20% in 5 accounts are made in the limit of up to one lakh, 16% in 4 accounts from Rs.1 – 2.5 lakh, 12% in 3 accounts for limit ranging from 2.5 to 5 lakh and 20% in 5 accounts for limits ranging from Rs.7.5-10 lakh.

Table 6.7 Amount advanced as Term loan and Working Capital

		Amount advance					Total
	0-100000	100001-250000	250001-500000	500001-750000	750001-1000000	above 1000000	
TL	Count	5	4	3	2	5	6
	% within WC/TL	20.0%	16.0%	12.0%	8.0%	20.0%	24.0%
WC	Count	2	9	9	1	5	3
	% within WC/TL	6.9%	31.0%	31.0%	3.4%	17.2%	10.3%
Total	Count	7	13	12	3	10	9
	% within WC/TL	13.0%	24.1%	22.2%	5.6%	18.5%	16.7%

Source: Bank of Baroda - Computed from Primary Data

Year wise distribution of lending:

Table 6.8 shows that in 2004 only 2 accounts were sanctioned, which went up to 17 accounts in 2005, and 2006 had the highest sanction of 31 accounts, which fell substantially to just 4 accounts in 2007. In 2004 out of the 2 sanctions, one each were in the range of Rs.1 – 2.5 lakh and Rs. 2.5 to 5 lakh. In 2005, out of 17 new sanctions, 6 were in the group for Rs. 7.5 – 10 lakh range constituting 35.3% of the years lending. This was followed by 4 accounts with 23.5% of lending in the range of Rs.1 – 2.5 lakh. The lowest lending of 5.9% in one account was made for limit up to one lakh. Limit from Rs. 5 -7.5 lakh also had 5.9%.

Table 6.8 Year wise distribution of advance in Rs.

Year		Amount advance					Total
	0-100000	100001-250000	250001-500000	500001-750000	750001-1000000	above 1000001	
2004.00	Count		1	1			
	% within Year		50.0%	50.0%			
2005.00	Count	1	4	3	1	6	2
	% within Year	5.9%	23.5%	17.6%	5.9%	35.3%	11.8%
2006.00	Count	3	8	8	2	3	7
	% within Year	9.7%	25.8%	25.8%	6.5%	9.7%	22.6%
2007.00	Count	3				1	
	% within Year	75.0%				25.0%	
Total	Count	7	13	12	3	10	9
	% within Year	13.0%	24.1%	22.2%	5.6%	18.5%	16.7%

Source: Bank of Baroda - Computed from Primary Data

Year and branch wise cross tabulation:

Table 6.9 shows that there were only 2 accounts in 2004. In 2005, seven branches have made the aggregate lending of 17 accounts. In 2006 11 branches have made lending aggregating 31 accounts. In 2007 only 2 branches have made lending with 4 accounts

Table 6.9 Year wise Sanction of Advance

Year	Alwaye	Angamaly	Calicut	Ernakulam nort	Kalamassery	Kangangad	Kottayam	Mathilakom	Quilon	Tellicherry	Todupuzha	Trichur	Trivandrum	Vazhappally	Alwaye	Total
2004.00	**Count**							2								2
	% within Year							100.0%								100.0%
2005.00	**Count**	4					1	2	2		4	2			2	17
	% within Year	23.5%					5.9%	11.8%	11.8%		23.5%	11.8%			11.8%	100.0%
2006.00	**Count**	5	4	2	2	2		1		2	2	5	2		4	31
	% within Year	16.1%	12.9%	6.5%	6.5%	6.5%		3.2%		6.5%	6.5%	16.1%	6.5%		12.9%	100.0%
2007.00	**Count**			3										1		4
	% within Year			75.0%										25.0%		100.0%
Total	**Count**	9	4	5	2	2	1	5	2	2	6	7	2	1	6	54
	% within Year	16.7%	7.4%	9.3%	3.7%	3.7%	1.9%	9.3%	3.7%	3.7%	11.1%	13.0%	3.7%	1.9%	11.1%	100.0%

Source: Bank of Baroda - Computed from Primary Data

Table 6.10 Amount wise frequency of amount availed by borrowers in Kerala

Advance amount				
Rupees	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
15000.00	1	1.9	1.9	1.9
25000.00	1	1.9	1.9	3.7
50000.00	1	1.9	1.9	5.6
69000.00	1	1.9	1.9	7.4
80000.00	1	1.9	1.9	9.3
100000.00	2	3.7	3.7	13.0
114200.00	1	1.9	1.9	14.8
125000.00	1	1.9	1.9	16.7
127500.00	1	1.9	1.9	18.5
150000.00	3	5.6	5.6	24.1
175000.00	1	1.9	1.9	25.9
198750.00	1	1.9	1.9	27.8
200000.00	5	9.3	9.3	37.0
275400.00	1	1.9	1.9	38.9
285000.00	1	1.9	1.9	40.7
300000.00	2	3.7	3.7	44.4
350000.00	1	1.9	1.9	46.3
400000.00	1	1.9	1.9	48.1
450000.00	1	1.9	1.9	50.0
500000.00	5	9.3	9.3	59.3
515000.00	1	1.9	1.9	61.1
550000.00	1	1.9	1.9	63.0
725000.00	1	1.9	1.9	64.8
800000.00	2	3.7	3.7	68.5
864440.00	1	1.9	1.9	70.4
900000.00	1	1.9	1.9	72.2
976000.00	1	1.9	1.9	74.1
1000000.00	5	9.3	9.3	83.3
1140000.00	1	1.9	1.9	85.2
1200000.00	1	1.9	1.9	87.0
1500000.00	2	3.7	3.7	90.7
1600000.00	1	1.9	1.9	92.6
1650000.00	1	1.9	1.9	94.4
2000000.00	3	5.6	5.6	100.0
Total	54	100.0	100.0	

Source: Bank of Baroda - Computed from Primary Data

Table 6.10 shows that 5 borrowers have availed advance less than 1 lakh,27 borrowers have availed loan from Rs.1 lakh to Rs. 5 lakh, 13 borrowers have borrowed from Rs.5 lakh to Rs. 10 lakh, 6 borrowers have borrowed from Rs. 10 lakh up to Rs. 20 lakh and 3 borrowers have availed over Rs. 20 lakh.

Table 6.11 Education Wise Distribution of Accounts.

		q1		Total
		Up to Matriculate	**Matriculate & above**	
Yes	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.11 shows that the highest educational attainment for 4 account holders are up to matriculate and 50 are matriculate and above

Table 6.12 How Margin was arranged By Borrowers.

		q1		Total
		Up to Matriculate	**Matriculate & above**	
From savings	Count	3	1	4
	% within q1	75.0%	2.0%	7.4%
By borrowing from friends / relatives	Count	1	44	45
	% within q1	25.0%	88.0%	83.3%
By borrowing from money lender	Count	0	5	5
	% within q1	.0%	10.0%	9.3%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.12 shows that 7.4 % have arranged margin on loan from savings, out of which 3 are non matriculate accounting for 75 % of the borrowers out of the total borrowers belonging to non matriculate segment. The remaining one borrower is from matriculate and above segment. Majority of the borrowers ie 83.3% have arranged margin by borrowing from friends and relatives. Out of the total of 45 clients who have arranged margin by borrowing from friends and relatives, 44 are matriculate and above accounting for 88% of the total borrowers of 50 belonging to matriculates and above. The remaining one borrower is a non-matriculate. Those who have borrowed from money lenders account for 9.3% accounting for 5 borrower accounts. All such account holders are matriculates and above. This segment accounting for 10 % of the aggregate borrowers belonging to matriculates and above are 5 in absolute number.

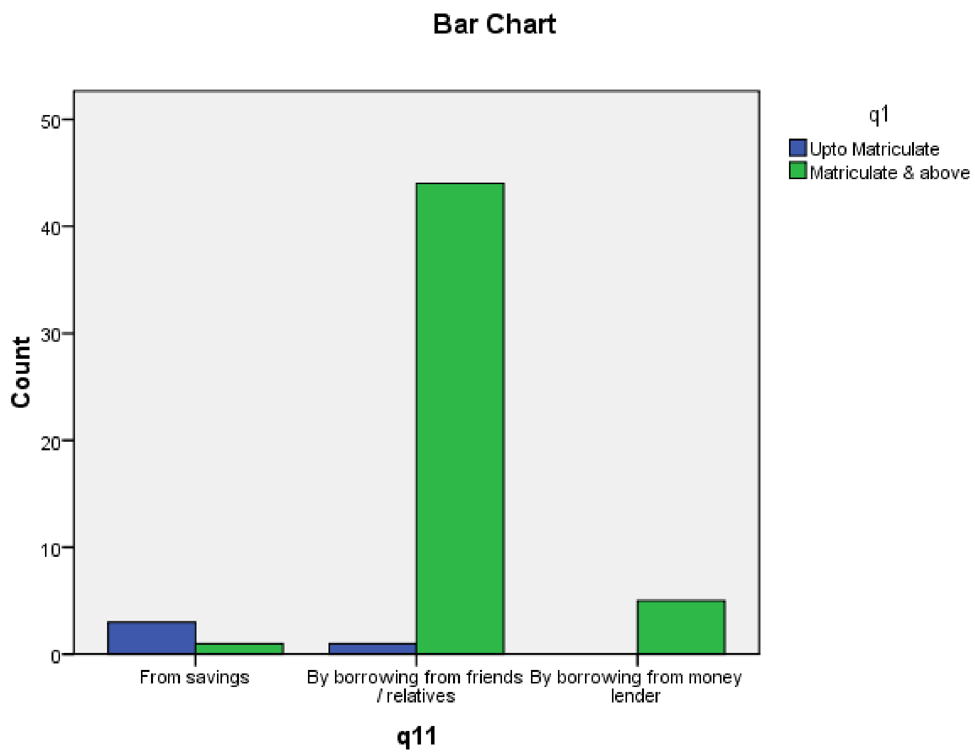

Table 6.13 Difficulty Level of Borrowers in Arranging Margin.

		qi		Total
		Up to Matriculate	Matriculate & above	
Yes	Count	1	49	50
	% within q1	25.0%	98.0%	92.6%
No	Count	3	1	4
	% within q1	75.0%	2.0%	7.4%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.13 shows that 92.6% of the borrowers responded that it is difficult to arrange for margin, of which 98 % are matriculates and above with 49 accounts and one account is from non- matriculate segment. Those who observed that it was not difficult to arrange for margin majority are from non- matriculate category accounting for 75% of the respondents. One respondent who did not find it difficult to bring in margin comes from matriculate and above segment. This has to be viewed in the backdrop of what has been explained above like the number of persons approaching moneylenders to fund the margin component.

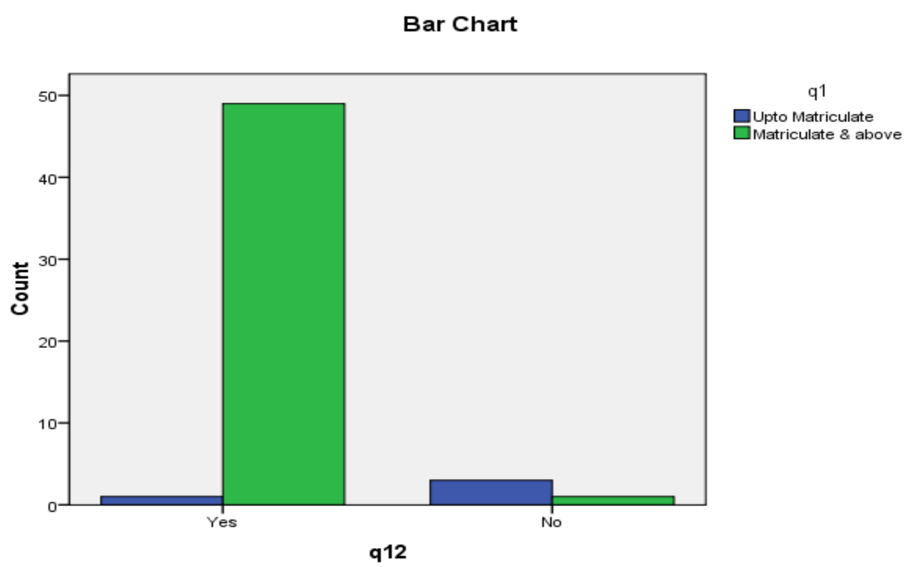

Table 6.14 Awareness Level of Existing Borrowers Regarding Raising of the Aggregate Amount To 100 LAKH Under CGTMSE Lending

		q1		Total
		Up to Matriculate	Matriculate & above	
No	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

When the scheme was introduced in 2000, the upper cap wasRs.25 lakh, which was subsequently raised to Rs.50 lakh, which by 2008 has been raised toRs.100 lakh. Table 6.14 shows that the entire borrowers are unaware of the raising of the limit to Rs.100 lakh has to be viewed in the backdrop of the

Entire borrowers have responded that they are not aware that the highest eligible loan is Rs100 lakh.

Table 6.15 Capability of Clients to Bring in Margin, in Case Bank is Prepared to Sanction the Highest Eligible Amount of 100 lakh Under CGTMSE

		q1		Total
		Up to Matriculate	Matriculate & above	
Yes	Count	0	5	5
	% within q1	.0%	10.0%	9.3%
No	Count	4	45	49
	% within q1	100.0%	90.0%	90.7%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.15, 90.7 % borrowers responded that they are not capable enough to bring in margin of 25 % for a sanction of Rs100 lakh, which works out to be Rs. 33.33 lakh. 90 % of those respondents expressed inability to bring margin are from the segment of matriculates and above. Four borrowers from non- matriculate also expressed their inability to bring in margin. 9.3% of the borrowers have responded that they are prepared to bring in the margin, out of which the entire borrowers hail from the group of matriculates and above.

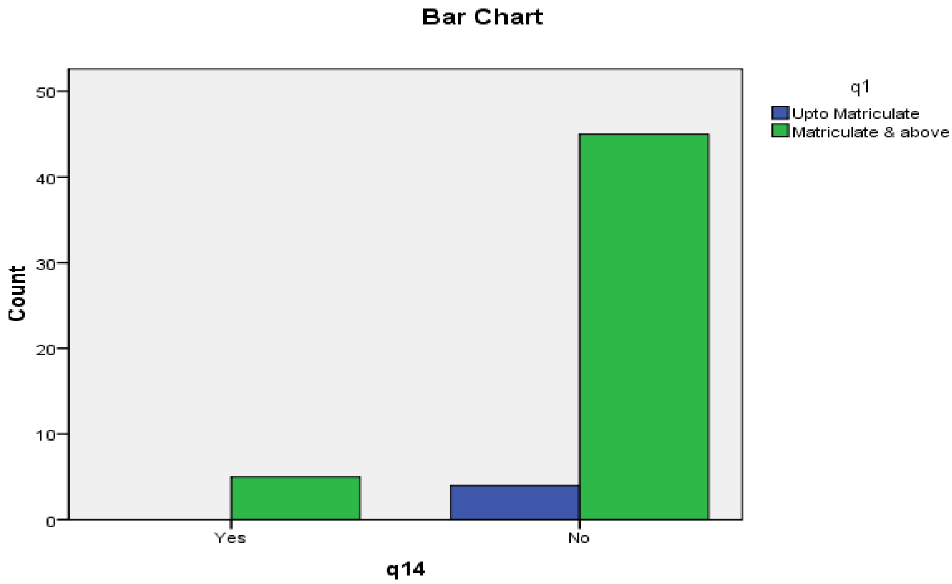

Table 6.16 Analysis of Arranging of Margin and Getting Sanction.

		q1		Total
		Up to Matriculate	Matriculate & above	
Arranging Margin of 25%	Count	2	50	52
	% within q1	50.0%	100.0%	96.3%
Getting the sanction	Count	2	0	2
	% within q1	50.0%	.0%	3.7%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.16 shows, 96.3% of the borrowers responded that arranging margin is the most difficult part of getting CGTMSE lending., of which 50 borrowers are from matriculate and above and 2 are from non-matriculate. 3.7% feels getting sanction is difficult in availing CGTMSE loan. It is noteworthy that the problem in arranging the margin is being observed as the most difficult factor in availing CGTMSE loan.

Table 6.17 Difficulty Level In Arranging Collateral And Arranging Margin.

		q1		Total
		Up to Matriculate	Matriculate & above	
Arranging for collateral	Count	1	1	2
	% within q1	25.0%	2.0%	3.7%
Arranging for margin	Count	3	49	52
	% within q1	75.0%	98.0%	96.3%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.17 shows, 96.3% of borrowers have responded that arranging margin is more difficult than arranging collateral, out of which 49 borrowers are matriculate and above and 3 are non-matriculates. 3.7% of borrowers responded that arranging collateral is difficult than arranging for margin, and the borrowers are equally distributed in the group of martriculate and above segment and non-matriculate segment.

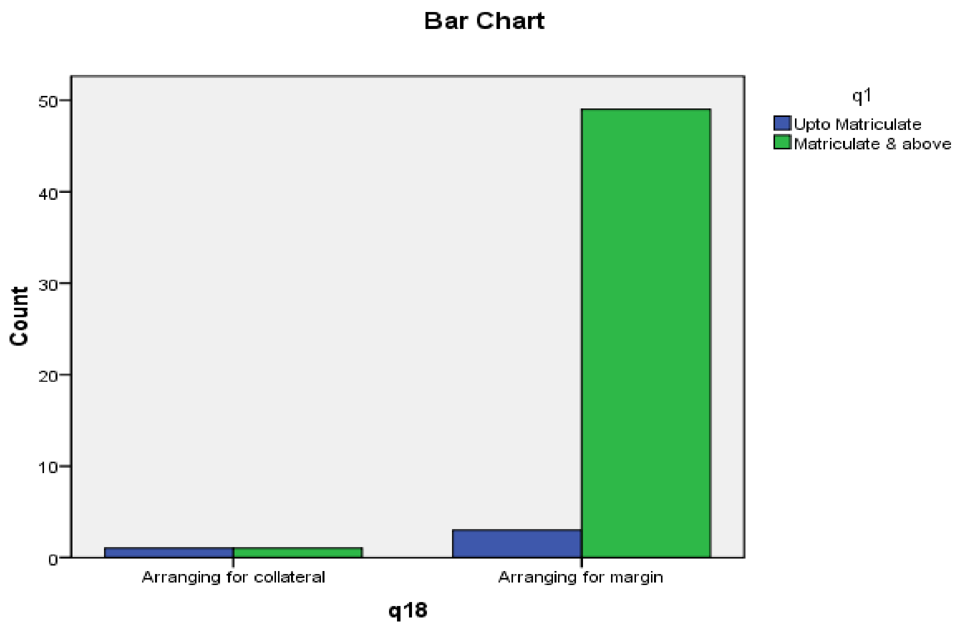

Table 6.18 Difficulty level in Bringing Margin

difficulty level		q1		Total
		Up to Matriculate	Matriculate & above	
Low	Count	2	0	2
	% within q1	50.0%	.0%	3.7%
High	Count	2	50	52
	% within q1	50.0%	100.0%	96.3%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.18, 96.3% of the borrowers responded that bringing in margin is difficult, as margin has to be brought in cash itself, whereas collateral need not be in the form of cash. Collaterals can be from friends and relatives in which case, normally payment of interest do not arise, where as for borrowing, even to friends and relatives, interest has to be paid. In those cases margin is being arranged by borrowing from moneylenders, exorbitant rate of interest has to be paid. This clearly shows how difficult it is to arrange for margin for a collateral free loan under CGTMSE. Out of the total respondents of 52, 50 are from the group of matriculate and above and 2 are from non-matriculate.

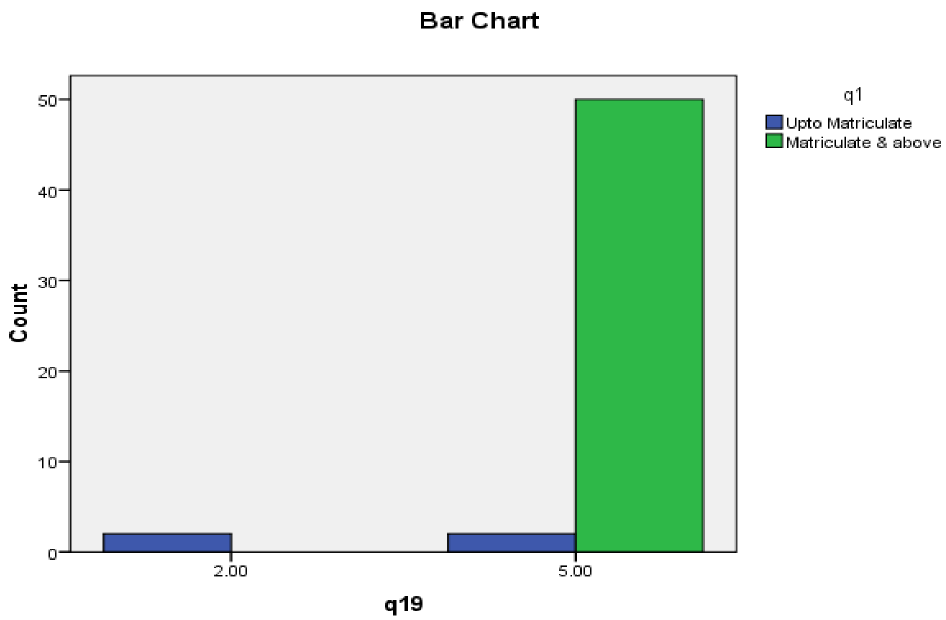

Table 6.19 Whether margin is an additional Security?

		q1		Total
		Up to Matriculate	Matriculate & above	
Yes	Count	3	48	51
	% within q1	75.0%	96.0%	94.4%
No	No	1	2	3
	% within q1	25.0%	4.0%	5.6%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

As per international practice there are w2 types of securities, primary and secondary. Primary security is asset acquired out of bank loan and any other security is being treated as secondary collateral. Table 6.19 shows that 94.4% of the borrowers have responded that any amount brought in by the borrower and charged to the Bank is additional security.. Out 51 borrower accounts, 48 are from the segment of matriculate and above and 3 are non-matriculate. 5.6 % of borrowers responded that any amount brought in by the borrower and charged to the bank is not additional security.

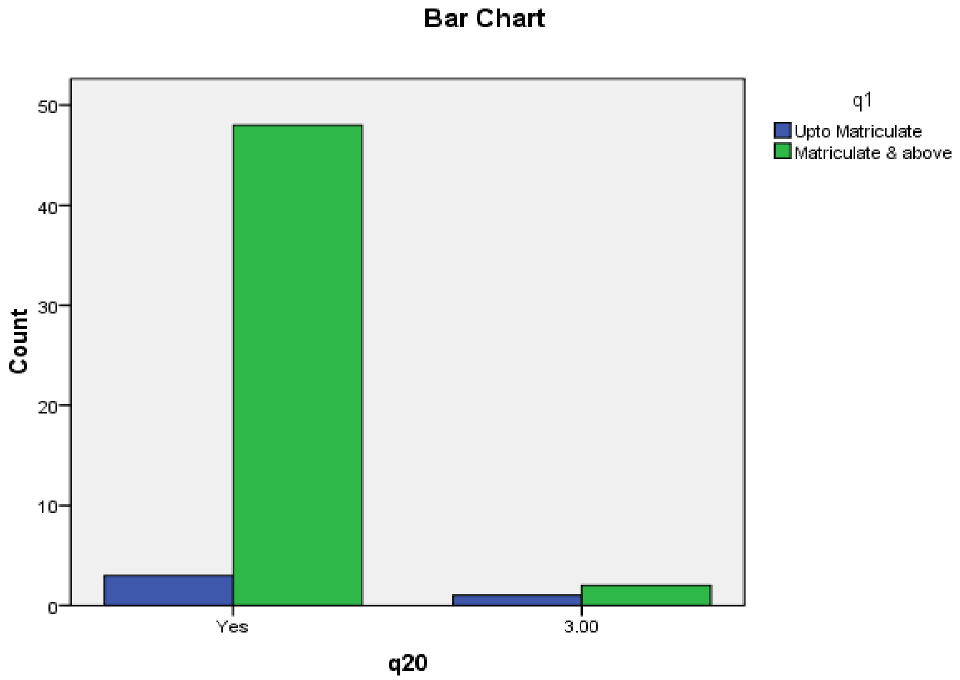

Table 6.20 Number of Borrowers Providing Margin

		q1		Total
		Up to Matriculate	Matriculate & above	
Strongly Agree	Count	3	37	40
	% within q1	75.0%	74.0%	74.1%
Agree	Count	1	13	14
	% within q1	25.0%	26.0%	25.9%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.20, 74% of borrowers have strongly agreed that they have given 25% as margin and 26 % of the borrowers have agreed that they have given margin, showing that all the borrowers have availed the loan by providing margin of 25% of total cost of the asset financed.

Table 6.21 Customers who Provided Margin in Cash

		q1		Total
		Up to Matriculate	Matriculate & above	
Strongly Agree	Count	3	37	40
	% within q1	75.0%	74.0%	74.1%
Agree	Count	1	13	14
	% within q1	25.0%	26.0%	25.9%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.21 shows that the margin of 25% has been provided by all the borrowers in cash. 74.1 % have strongly agreed and 25.9 have agreed having brought margin in cash.

Table 6.22 Margin is Additional Security

		q1		Total
		Up to Matriculate	Matriculate & above	
Strongly Agree	Count	3	31	34
	% within q1	75.0%	62.0%	63.0%
Agree	Count	0	12	12
	% within q1	.0%	24.0%	22.2%
Neutral	Count	1	7	8
	% within q1	25.0%	14.0%	14.8%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.22, 63% of the borrowers have strongly agreed that margin is additional security. 22.2% have agreed that margin is additional security. 14.8 % of the account holders are neutral. In the unfortunate event of account turning bad, the entire assets including that portion which is acquired by utilizing the margin component is also appropriated with the result that margin is an additional security over and above the primary security ie., asset purchased utilizing bank loan.

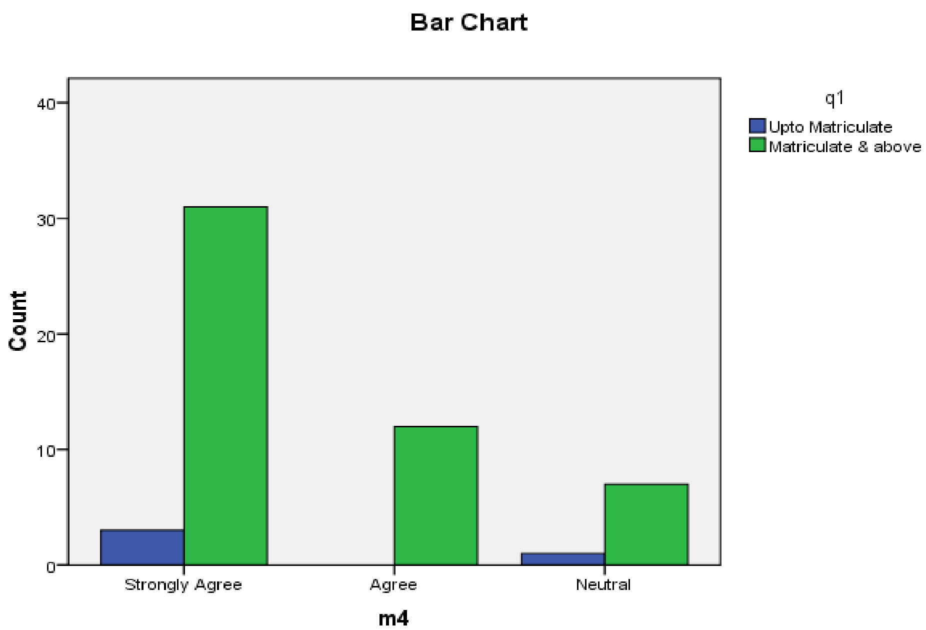

Table 6.23 Margin is Used To Purchase Asset Financed By Bank

		q1		Total
		Up to Matriculate	Matriculate & above	
Strongly Agree	Count	3	31	34
	% within q1	75.0%	62.0%	63.0%
Agree	Count	0	12	12
	% within q1	.0%	24.0%	22.2%
Neutral	Count	1	7	8
	% within q1	25.0%	14.0%	14.8%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.23 shows that margin brought by the borrower has been used for purchasing asset financed by bank. 63 % of the account holders strongly agree, while 22.2% agree and 14.8% are neutral on this.

Table 6.24 Not Financially Sound has to Borrow to Provide Margin.

		q1		Total
		Up to Matriculate	Matriculate & above	
Strongly Agree	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.24, entire borrowers have responded that those who are not financially sound has to borrow to provide for the margin.

Table 6.25 Number of borrowers who are unaware of what constitute micro enterprise.

		q1		Total
		Up to Matriculate	Matriculate & above	
Strongly Agree	Count	3	40	43
	% within q1	75.0%	80.0%	79.6%
Agree	Count	1	10	11
	% within q1	25.0%	20.0%	20.4%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.25, all the borrowers have responded that they are not aware as to what constitute a micro manufacturing enterprise or micro service enterprise. 79.6% strongly agree that they are not aware and 20.4 % agree.

Table 6.26 Number of borrowers who are unaware of what Constitute Small Enterprise

		q1		Total
		Up to Matriculate	Matriculate & above	
Strongly Agree	Count	3	40	43
	% within q1	75.0%	80.0%	79.6%
Neutral	Count	1	10	11
	% within q1	25.0%	20.0%	20.4%
Total	Count	4	50	54
	% within q1	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.26, all the borrowers have responded that they are not aware as to what constitute a small manufacturing enterprise or small service enterprise. 79.6% strongly agree that they are not aware and 20.4 % agree that they are not aware.

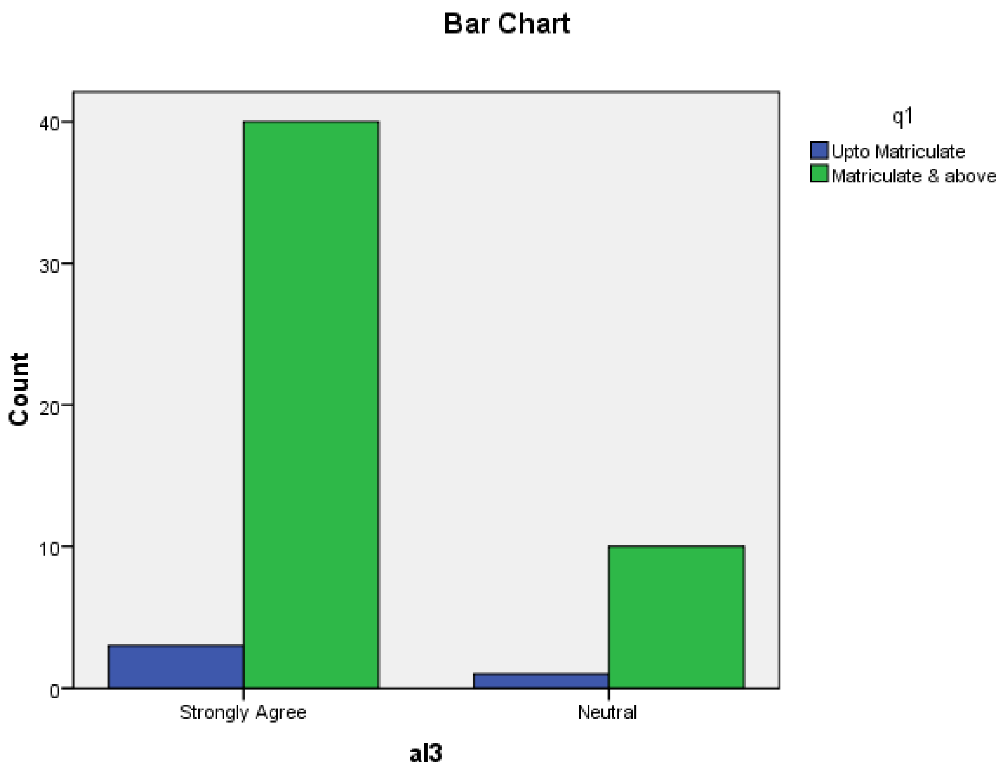

Table 6.27 Classification of borrowers based on the Total Investment

		q3			Total
		Less thanRs,5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Yes	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.27 shows that the population has been grouped based on total investment they have made including bank loan. Based on this criteria, there are 3 account holders who have invested up to Rs.5 lakh 14 account holders who have invested Rs. 5 to 10 lakh., 37 account holders who have invested above Rs. 10 lakh. Entire population have responded l that as the loan was given collateral free, they have availed it.

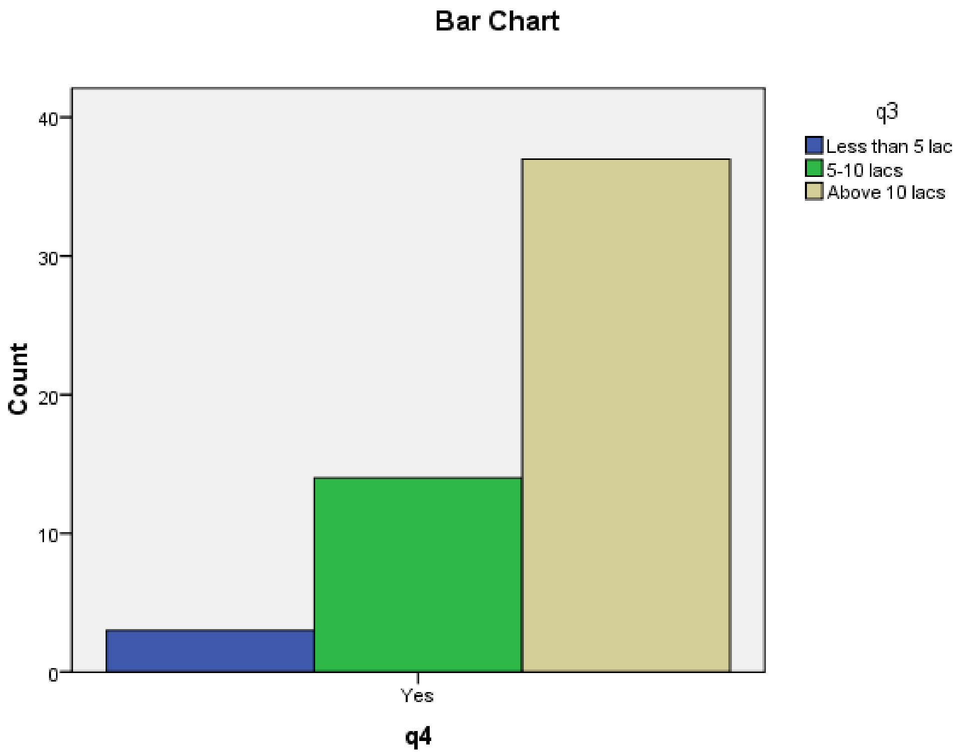

Table 6.28 Distribution of Borrowers who Provided Margin

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs. 10 lakh	
20.00	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.28 shows that irrespective of the amount invested in the business, entire population has provided margin

Table 6.29 Investment Wise Distribution of Borrowers who have Provided 25% Margin to Avail Loan

		q3			Total
		Less than Rs. 5 lakh	Rs. 5-10 lakh	Above 10 lakh	
Yes	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.29 shows that the entire borrowers have provided margin of 25%

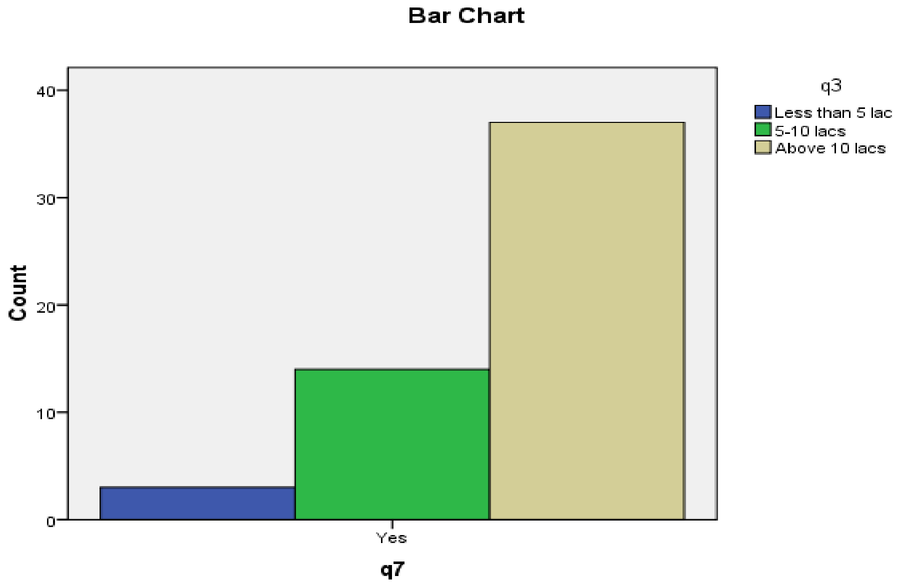

Table 6.30 Investment Wise Classification of Borrowers who Brought Margin In Cash

		q3			Total
		Less than Rs. 5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
By crediting to my account	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.30 shows that the entire borrowers have given margin in cash.

Table 6.31 Investment Wise Classification of Borrowers Who Have Credited Margin to Their Account.

Crosstabulation

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Yes	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.31 shows that the amount of margin brought by the borrower was credited to their account.

Table 6.32 Investment Wise Classification of Borrowers who have Charged Asset Purchased With Margin to the Bank

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Yes	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.32 shows that the asset acquired comprises of bank loan and margin brought by borrower and the entire asset was charged to bank.

Table 6.33 Investment Wise Classification of Borrowers Showing The Source Where From Margin was Arranged

Crosstabulation

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	AboveRs. 10 lakh	
From savings	Count	2	2	0	4
	% within q3	66.7%	14.3%	.0%	7.4%
By borrowing from friends / relatives	Count	1	11	33	45
	% within q3	33.3%	78.6%	89.2%	83.3%
By borrowing from money lender	Count	0	1	4	5
	% within q3	.0%	7.1%	10.8%	9.3%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.33, 4 borrowers have arranged margin from savings,45 of the borrowers have borrowed margin from friends and relatives. 5 borrowers have borrowed margin from money lenders

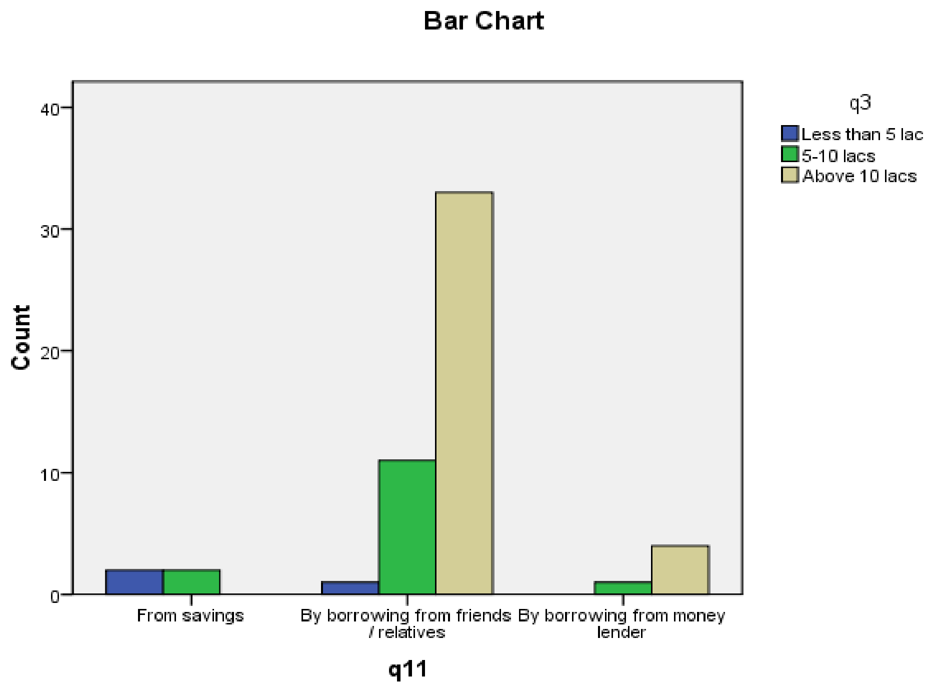

Table 6.34 Investment wise classification of borrowers on the difficulty level in arranging margin vs. Getting sanction for the loan.

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Arranging margin of 25%	Count	1	14	37	52
	% within q3	33.3%	100.0%	100.0%	96.3%
Getting the sanction	Count	2	0	0	2
	% within q3	66.7%	.0%	.0%	3.7%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.34 shows that 52 account holders accounting for 96.3% of the total account holders have responded that arranging margin of 25% is more difficult than getting the sanction, out of which 1 borrower is upto 5 lac segment, 14 from 5 -10 lakh and 37 from above 10 lakh segment. Two borrowers have responded getting sanction was more difficult.

Table 6.35 Table Showing Difficulty Between Arranging Collateral And Arranging Margin.

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Arranging for collateral	Count	1	0	1	2
	% within q3	33.3%	.0%	2.7%	3.7%
Arranging for margin	Count	2	14	36	52
	% within q3	66.7%	100.0%	97.3%	96.3%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.35 shows that 52 account holders feel that it is more difficult to arrange for margin and 2 account holders feel that it is difficult to arrange for collateral, to borrow. 96.3% responded that arranging margin is more difficult than arranging collateral. 3.7% have responded the other way round.

Table 6.36 Table Showing Borrowers Expressing Difficulty in Arranging Margin.

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Yes	Count	3	13	35	51
	% within q3	100.0%	92.9%	94.6%	94.4%
Neutral	Count	0	1	2	3
	% within q3	.0%	7.1%	5.4%	5.6%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.36 shows that 51 account holders feel that the margin has to be brought in cash, with resultant cost for the money brought in, out of which 3 are from up to Rs. 5 lakh segment, 13 from Rs.5-10 lakh and 35 from above Rs. 10 lakh.

Table 6.37 Borrowers bringing margin in cash

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Strongly Agree	Count	2	14	24	40
	% within q3	66.7%	100.0%	64.9%	74.1%
Agree	Count	1	0	13	14
	% within q3	33.3%	.0%	35.1%	25.9%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.37, entire population responded that they have brought margin in cash.74.1% strongly agree while 25.9% agree. Those who strongly agree, 2 account are from less than Rs.5 lakh category, 14 from Rs.5 -10 lakh category and 24 are from above Rs.10 lakh category. Those who agree, 1 is from less than Rs. 5 lakh and 13 are from above Rs.10 lakh.

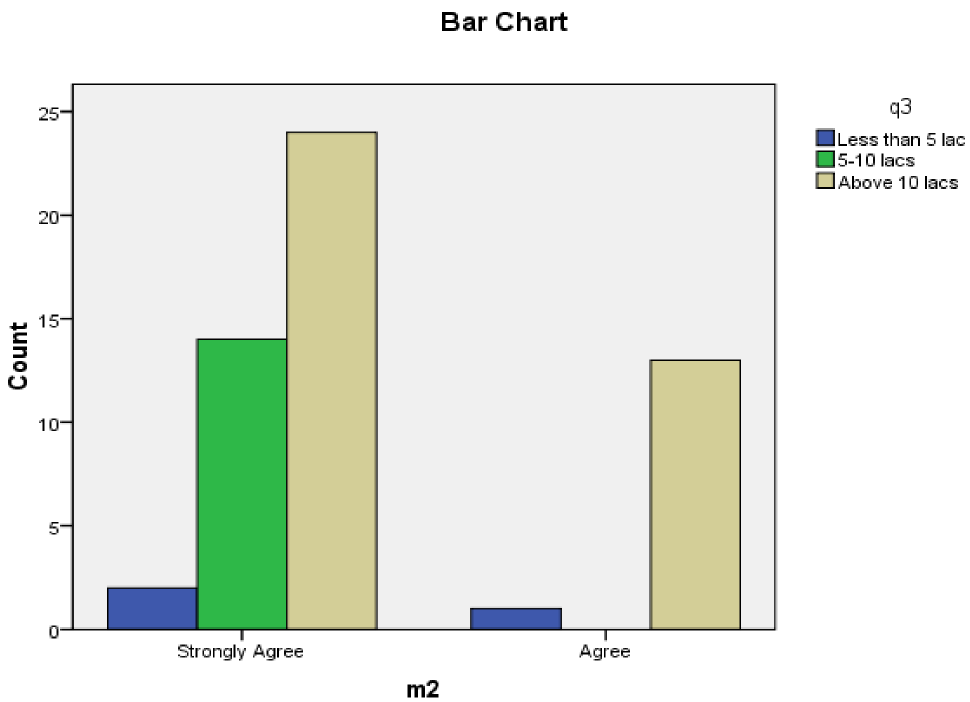

Table 6.38 Investment Wise Classification of Borrowers who Treat Margin as Security.

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Strongly Agree	Count	2	14	24	40
	% within q3	66.7%	100.0%	64.9%	74.1%
Agree	Count	1	0	13	14
	% within q3	33.3%	.0%	35.1%	25.9%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.38 shows that 40 borrower account holders strongly feel that margin is additional security. 14 feels agree that margin in security. 66.7% of borrowers belonging to investment up toRs.5 lakh strongly agree that margin is additional security, while 33.3% of the same segment agree that margin is additional security. 100% borrowers from Rs.5 – 10 lakh segment have strongly agreed that margin is additional security. 64.9 % of borrowers above Rs.10 lakh category have strongly agreed that margin is additional security, while 35.1% have agreed that margin is additional security.

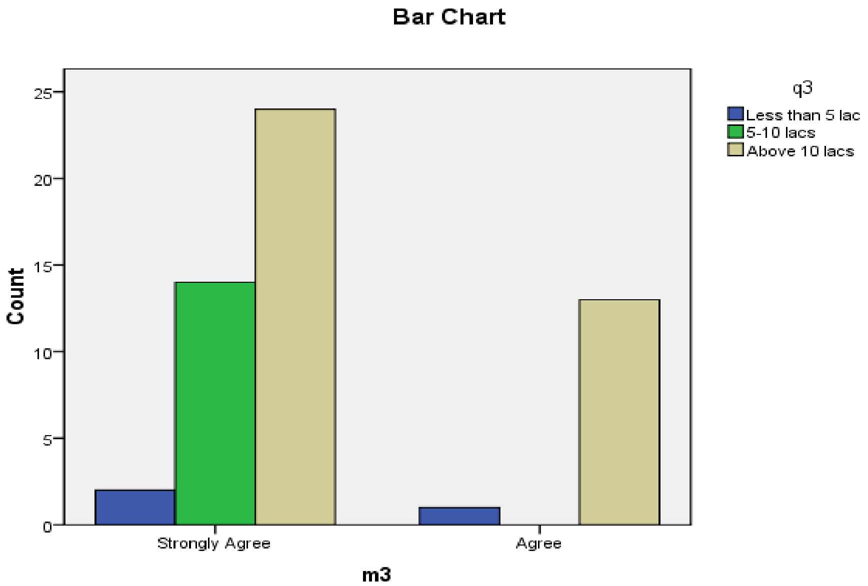

Table 6.39 Number of Borrowers Bringing Margin in Cash.

		q3			Total
		Less than Rs.5 lakh	**Rs.5-10 lakh**	**Above Rs.10 lakh**	
Strongly Agree	Count	3	11	20	34
	% within q3	100.0%	78.6%	54.1%	63.0%
Agree	Count	0	0	12	12
	% within q3	.0%	.0%	32.4%	22.2%
Neutral	Count	0	3	5	8
	% within q3	.0%	21.4%	13.5%	14.8%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.39 shows that the entire margin is brought in cash, 34 borrowers strongly agree, 12 agree and 8 are neutral

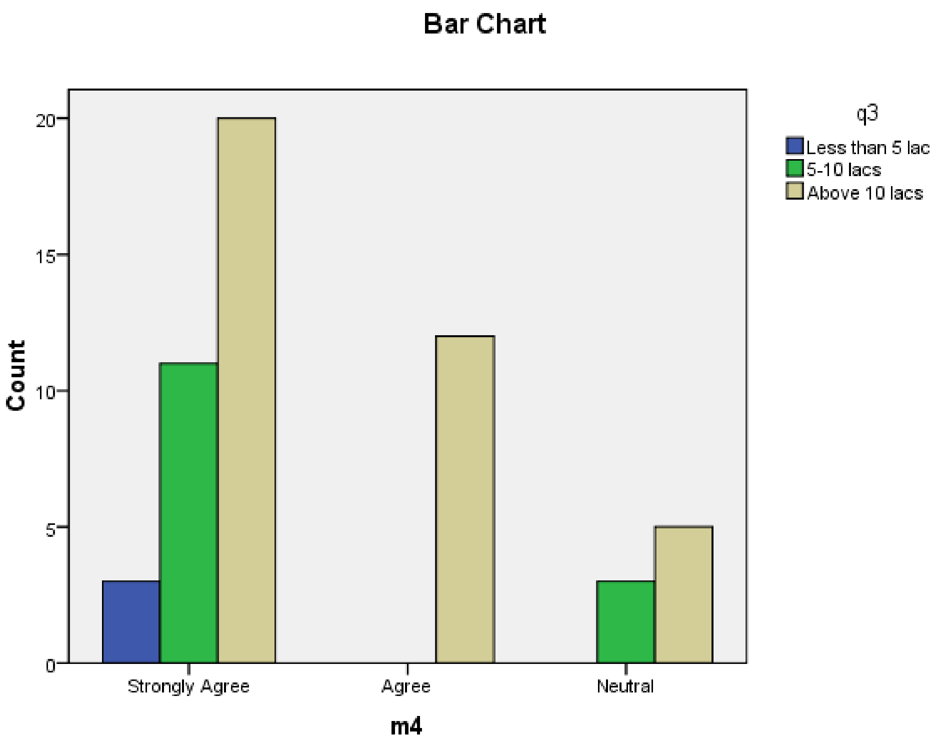

Table 6.40 Financially Weak Borrowers Find It Difficult To Arrange Margin.

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Strongly Agree	Count	3	11	20	34
	% within q3	100.0%	78.6%	54.1%	63.0%
Agree	Count	0	0	12	12
	% within q3	.0%	.0%	32.4%	22.2%
Neutral	Count	0	3	5	8
	% within q3	.0%	21.4%	13.5%	14.8%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.40 shows that 63% of the total customers have strongly agreed that those who do not have the financial position to fund margin by themselves have to go in for further borrowing at higher rate of interest to fund the margin component. 100% of borrowers who fall with in total investment limit up to Rs.5/-lakh strongly agree that margin is made by borrowed funds, 78.6% of the borrowers falling in the group of Rs 5/- lakh to Rs.10/- lakh strongly agree on borrowed margin, while 21.4% are neutral on borrowed margin. Borrowers belonging to investment limit over Rs.10/- lakh 54.1% strongly agree that those who are not financially sound had to borrow to fund margin, 32.4% agree and 13.5% are neutral.

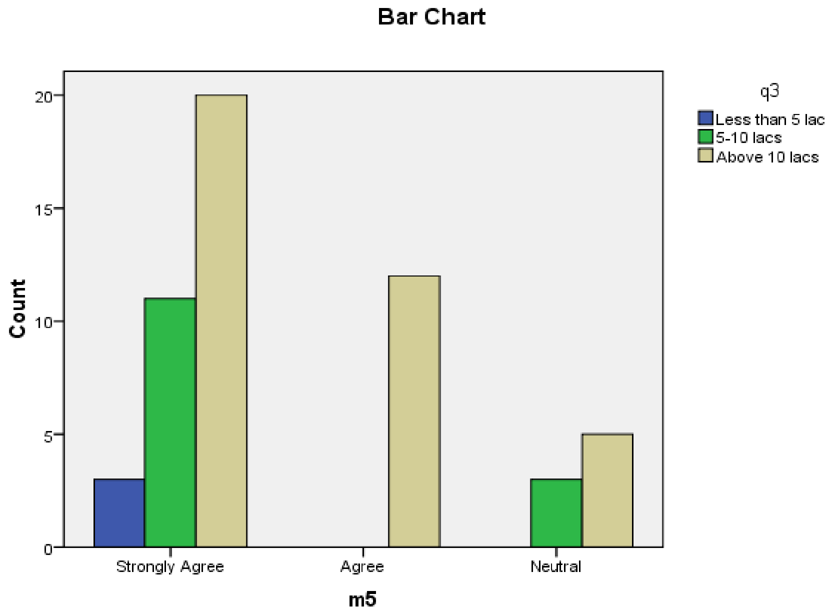

Table 6.41 Borrowers Responding that they are not Aware of Micro Manufacturing Enterprise.

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Strongly Agree	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.41, all borrowers have strongly agreed that they don't know what is meant by micro manufacturing enterprise. Knowing about MME (Micro Manufacturing Enterprise) would enable the existing borrowers to avail credit based on MME eligibility. (As per MSME Act, A micro-manufacturing enterprise is one where the investment in plant and machinery does not exceed Rs.25 lakh).

Table 6.42 Borrowers Responding that they are Not Aware of what Is Micro Service Enterprise

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Strongly Agree	Count	1	13	29	43
	% within q3	33.3%	92.9%	78.4%	79.6%
Agree	Count	2	1	8	11
	% within q3	66.7%	7.1%	21.6%	20.4%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.42 shows that, 79.6 % of the borrowers, have strongly agreed that they don't know what is meant by Micro Service Enterprise. 20.4% of the respondents have agreed that they don't Respondents have agreed that they don't know what is meant by micro-service enterprise. (A Micro service enterprise as per MSME Act is one where the Investment in equipment does not exceed Rs.10 Lakh)

Table 6.43 Borrowers Responding that they are not Aware of what Constitute Small Manufacturing Enterprise

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Strongly Agree	Count	1	13	29	43
	% within q3	33.3%	92.9%	78.4%	79.6%
Neutral	Count	2	1	8	11
	% within q3	66.7%	7.1%	21.6%	20.4%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

Table 6.43 shows that 43 borrowal account holders strongly agree that they are not aware as to what is meant by small manufacturing enterprise. 11 accounts are neutral. (Asper MSME Act a Small Manufacturing is one where Investment in plant and machinery is more than Rs.25 lakh but does not exceed Rs.5 Crores)

Table 6.44 Borrowrs Responding that they are not aware of what Constitute Small Service Enterprise.

		q3			Total
		Less than Rs.5 lakh	Rs.5-10 lakh	Above Rs.10 lakh	
Strongly Agree	Count	1	13	29	43
	% within q3	33.3%	92.9%	78.4%	79.6%
Disagree	Count	2	1	8	11
	% within q3	66.7%	7.1%	21.6%	20.4%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.44, 79.6% of the borrowers strongly agreed that they are not aware of what is meant by Small service enterprise.. 20.4 % of the Small Enterprises disagreed with the question and responded they are not aware of what is meant by Small Service Enterprise, which means that they are aware of what is meant by Small Service Enterprise. (As per MSME Act, a Small Service Enterprise is one where Investment in plant and machinery is more than Rs.25 lakh but does not exceed Rs.5 crores)

Table 6.45 Borrowers responding that they are not aware of the upper cap for CGTMSE lending.

		q3			Total
		Less than 5 lakh	5-10 lakh	Above 10 lakh	
Strongly Agree	Count	1	13	29	43
	% within q3	33.3%	92.9%	78.4%	79.6%
Neutral	Count	2	1	8	11
	% within q3	66.7%	7.1%	21.6%	20.4%
Total	Count	3	14	37	54
	% within q3	100.0%	100.0%	100.0%	100.0%

Source: Structured interview with CGTMSE borrowers of Bank of Baroda

In table 6.45, 79.6% of borrowers have strongly agreed that they don't know the upper ceiling fixed for CGTMSE lending, 20.4% of borrowers have taken a neutral position. Out of less than Rs.5 lakh segment 33.33 % strongly agree that they don't know what is the upper cap. But 66.7 % are neutral on this from up toRs. 5 lakh segment. 92.9% of borrowers from Rs.5 – 10 lakh segment strongly agreed that they don't know the upper cap, while 7.1 % are neutral. 78.4% from above Rs.10 lakh segment strongly agree that they don't know the upper cap of CGTMSE lending, 21.6% are neutral on this.

Findings

1. Four of the borrowers have studied upto matriculate and 50 borrowers are matriculate and above.
2. All of them own landed property either in their name or in the name of family members.
3. Their investment in the business unit for which they have availed the loan are: 3 have invested upto Rs.5 lakh, 14 have invested from Rs.5-10 lakh, 37 have invested above Rs.10 lakh.
4. All the 54 have have taken the loan since, it was without collateral security.
5. All of them have provided margin for obtaining the loan.
6. They have given 25% as margin stipulated by the bank
7. All of them have brought the margin in cash, and have credited to their account for being used for acquiring the asset financed by the bank.
8. All have confirmed that the margin contributed by them is being used for acquiring the asset financed by the bank, over and above the loan component.

9. The entire asset purchased utilizing bank loan plus margin had been charged to the bank as security.

10. 83.3% of the borrowers have arranged margin by borrowing from friends and relatives. 9.3% have borrowed from money lenders. 7.4 % have contributed margin from savings.

11. 92.6% felt that it was difficult for them to arrange for the margin. 7.4% have responded that it was not difficult for them to arrange the margin.

12. None of them are aware that they are eligible to avail collateral free loan up to Rs.100/- lakh.

13. Given an option to avail collateral free loan of Rs. 100 lakh, 90.7% are not capable enough to bring in margin of 25% required whereas 9.3% are prepared to bring in the margin.

14. Arranging for the margin component is the most difficult part in availing collateral free credit for Rs. 100 lakh, replies 96.3%, whereas 3.7% feels getting the sanction is the most difficult part.

15. All the borrowers have confirmed that bank had given them a sanction letter, with stipulations of the terms and conditions of sanction. All the borrowers have said that bank had not given them a copy of the CGTMSE scheme in vernacular

16. 96.3% have replied that the most difficult part in availing loan was providing for margin because of the following reasons

    a) Margin has to be brought in cash

    b) Collateral can be from friends & relatives.

    c) When a relatives property is given as collateral, no interest need be paid, whereas for borrowing margin money, even from friends or relatives interest has to be paid.

   d) For borrowing from money lender, very high ROI has to be paid.

17. 94.4.% feels that any amount brought in as margin and charged to the bank is additional security.

Conclusion

From the above it could be seen that all the borrowers treat margin as security and it is difficult for borrowers to arrange for. When the borrower is not financially sound, the margin had to be borrowed at high rate of interest. Stipulating margin on CGTMSE loan is perceived to be the most difficult part in availing advance under CGTMSE. When the scheme is silent about margin, is it fair to obtain margin has to be looked into by the Regulator. When the entire lending itself is without any collateral, the logic for keeping margin should attract the attention of policy makers. When the security stipulated is primary security only, whether the bankers are justified in obtaining margin, which also is charged to the bank as security. To conclude, the study revealed that the lending is slow for CGTMSE, because of the margin stipulation.

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APPENDIX

SURVEY QUESTIONNAIRE ADMINISTERED TO 61 BRANCH MANAGERS AND 61 CREDIT OFFICERS, WORKING IN 61 BRANCHES OF BANK OF BARODA , KERALA ON CENSUS METHOD TO STUDY DIVERGENCE IN GUIDELINES OF CGTMSE, RBI & BANK OF BARODA.

Profile of Respondent:

Name:

Branch Where Working:

Designation:

Working Since:

Please Indicate Your Agreement with Each of the Following Statements.

Guidelines of CGTMSE:

NON-MANDATORY LENDING

1. CGTMSE lending is non-mandatory.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

2. Bankers have the option to lend or not to lend under CGTMSE?

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

3. Priority for implementation is for mandatory guidelines than for non-mandatory guidelines?

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

4. Non-mandatory nature of CGTMSE lending has reduced lending under CGTMSE?

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

5. Mandatoy requirement is essential to compel bankers to lend under CGTMSE?

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

MEMBER LENDING INSTITUTIONS (MLI):

1. As CGT guarantees credit extended by MLI only, MSE customers desirous of availing credit under CGT should ascertain whether the Bank they are approaching is MLI?

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

2. It is optional for banks to become MLI?

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

3. Optional nature of membership reduces the reach of the scheme?

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

4. The delay taken by banks / financial institutions in joining as MLI of CGTMSE, has reduced the reach of the scheme?

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

5. The coverage of the scheme would have been more, had it been extended to entire banks / financial institutions, rather than limiting it to MLI alone?

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

APPROVAL

1. Process of MLI sending the proposal to CGT for approval amounts to reappraisal of the project by CGT.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

2. Individual approval by CGT causes delay in giving credit.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

3. Getting approval for every sanction has contributed to poor growth of CGTMSE lending.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

4. Approaching CGT for approval has discouraged bankers to lend under CGTMSE.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

5. CGT has to remove approval stipulation to increase CGTMSE lending.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

GUARANTEE INVOKING NORMS

1. Lock-in-period of 18 months is a limiting factor for bankers to lend under CGTMSE.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

2. Stipulation to initiate legal action before filing claim for guarantee discourages bankers to lend under CGTMSE.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

3. Stipulation to invoke guarantee within one year of the account becoming NPA is a rigid compliance norm for bankers.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

4. Stipulation of release of final claim by the Trust to MLI after three years of recovery become time barred discourages bankers to lend under CGTMSE.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

5. Delay in getting the guaranteed sum from CGT keeps the scheme unattractive to bankers.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

PAYMENT OF GUARANTEE FEE

1. Payment of guarantee fee makes the lending costlier to customer.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

2. Cost conscious customers would not prefer the scheme due to payment of guarantee fee.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

3. Provision of shouldering 50% of guarantee fee by Bank of Baroda, as per BOB guidelines, makes the lending less attractive for Bank of Baroda.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

4. Weaker section of borrowers, who are eligible for other other govt. sponsored schemes would not prefer CGTMSE, because of additional burden of guarantee fee.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

5. New recommendation to shoulder guarantee fee for Micro enterprises up to 10 lakh by CGTMSE asper RBI working group recommendation would promote lending to micro enterprises.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

AWARENESS ABOUT THE SCHEME

1. Knowledge gap is there about CGT among MSE.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

2. More clients would come forward to avail CGTMSE advances, if the scheme is popularized.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

3. Branch level marketing of CGTMSE will help to increase lending.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

4. Special incentives to be given to branch level officials for marketing the scheme.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

5. Branch level marketing could identify eligible borrowers for accelerated lending.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

COLLATERAL SECURITY

1. CGTMSE lending is a purpose oriented lending.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
2. Primary security is assets purchased out of bank loan excluding margin brought by customer.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
3. Margin brought by customer is additional security.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
4. Any security obtained over and above primary security is collateral security.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
5. Margin brought by customer is a collateral security.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

EXTEND OF COVER:

1. Graded guarantee cover is helpful for the growth of the scheme.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
2. Credit facilities upto 5 lakhs to micro enterprises is eligible for the highest cover (85%), which will promote lending to micro enterprises upto 5lakhs.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
3. Recent (2010) recommendation of RBI working group making 85% cover for micro enterprises upto 10 lakh would promote lending upto 10 lakh to micro enterprises.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
4. For credit facility from 50 to 100 lacs the maximum cover eligible for general category of borrower is Rs. 62.5 lakh. This will limit lending beyond 50 lakhs.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

5. The fear of shouldering the uncovered portion of the credit by banks makes the scheme less popular amongst bankers.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

RESERVE BANK OF INDIA GUIDELINES

MANDATORY LENDING LIMIT:

1. Making mandatory limit of Rs. 10 lakhs fixed by RBI has reduced the coverage of the scheme?
Strongly agree Neutral Strongly disagree
1 2 3 4 5
2. When CGT scheme stipulates upper cap at 100 lacs, RBI working group has made it 10 lakh as a mandatory limit. Do you feel that this will adversely impact the growth of the scheme.
Strongly agree Neutral Strongly disagree
1 2 3 4 5
3. When divergent guidelines as to the upper cap by CGT and RBI is there, a banker will abide by what the regulator says.
Strongly agree Neutral Strongly disagree
1 2 3 4 5
4. Act of RBI in fixing mandatory lending limit at 10 lakh, hasreduced lending options from 10 -100 lacs .
Strongly agree Neutral Strongly disagree
1 2 3 4 5
5. Uniform guidelines by CGT & RBI are necessary for the growth of the scheme?
Strongly agree Neutral Strongly disagree
1 2 3 4 5

NON STIPULATION OF SUB LIMIT FOR MSE LENDING UNDER PRIORITY SECTOR LENDING:

1. Non stipulation of sub target for MSE lending under priority sector lending norms fixed by RBI is not helpful for the growth of CGTMSE lending.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

2. When sub-limits are fixed for agriculture, weaker sections & DRI, non stipulations sub-targets for MSE shows the low priority RBI is bestowing to MSE vis-à-vis with Agriculture, weaker sections & DRI.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

3. When no sub limit is fixed for MSE under priority sector lending, fixing sublimit for micro & small within MSE do not achieve the desired objective.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

4. When RBI has fixed sublimit for MSE lending at 10% of ANBC (Aggregate Net Bank Credit) for foreign banks, leaving it open without sub limit for Indian Banks has reduced the importance of the CGTMSE segment for Indian Banks.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

5. Stipulating a fixed sub target for CGTMSE lending by RBI would enhance lending under CGTMSE.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

GUIDELINES OF BANK OF BARODA:

MARGIN STIPULATED BY BANK OF BARODA

1. Non-stipulation of Margin by CGTMSE has given opportunity to bankers to fix margin.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

2. Margin is obtained as per guidelines of Bank of Baroda.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

3. Margin is obtained as an additional security.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

4. Margin on obtained on project cost and not on amount advanced.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

5. Margin is obtained both for start up ventures as well as for existing ventures?
Strongly agree Neutral Strongly disagree
1 2 3 4 5

6. Any security obtained over primary security is additional security?
Strongly agree Neutral Strongly disagree
1 2 3 4 5

7. Any asset charged to bank over and above those acquired using bank loan, is additional security?
Strongly agree Neutral Strongly disagree
1 2 3 4 5

8. Additional security of margin is collateral security?
Strongly agree Neutral Strongly disagree
1 2 3 4 5

9. As per international practice securities are divided into primary collateral and secondary collateral, of which asset acquired out of bank loan is primary collateral and all the rest is secondary collateral. To bring in clarity the term margin has to be changed to secondary collateral?
Strongly agree Neutral Strongly disagree
1 2 3 4 5

10. As margin is obtained CGTMSE is not a collateral free lending.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

MARGIN FOR START UP VENTURES.

1. Asset created out of bank loan is the only stated security in the scheme for first time entrepreneurs.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

2. Margin is obtained without any difference between start up and existing ventures.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

3. For existing enterprises secondary collateral owned and used for the purpose of business may continued to be obtained as stipulated by scheme.
Strongly agree Neutral Strongly disagree
1 2 3 4 5

4. Since start up enterprises do not have any asset owned and used for the business, they should be exempted from margin, which is a secondary collateral.

 Strongly agree Neutral Strongly disagree
 1 2 3 4 5

5. For security consideration, there should not be any difference between start up firms and existing firms as todays start up becomes tomorrows existing.

 Strongly agree Neutral Strongly disagree
 1 2 3 4 5

PREFERENCE TOWARDS COLLATERAL:

1. In between a collateral free loan with CGTMSE cover and another advance with collateral security, bankers prefer the latter.

 Strongly agree Neutral Strongly disagree
 1 2 3 4 5

2. Realization of amount guaranteed by CGT is time consuming.

 Strongly agree Neutral Strongly disagree
 1 2 3 4 5

3. Recovery of dues by realization of collateral security obtained is easier than approaching CGT for getting the guaranteed amount.

 Strongly agree Neutral Strongly disagree
 1 2 3 4 5

4. By increasing the value of collateral, bank need not suffer any loss, in the event of acoount turning to be NPA?

 Strongly agree Neutral Strongly disagree
 1 2 3 4 5

5. In every case CGT guarantee is obtainined the difference between amount in default and guarantee cover (which now is 85% at the highest level for micro enterprises upto 10 lakhs) has to be borne by Bank.

 Strongly agree Neutral Strongly disagree
 1 2 3 4 5

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QUESTIONNAIRE ADMINISTERED TO 122 MSE BORROWERS OF BANK OF BARODA, KERALA, TO ASSESS AWARENESS LEVEL ABOUT CGTMSE SCHEME.

Personal profile:

Name:

Branch where maintaining the account:

ADVERTISEMENT ABOUT THE SCHEME:

1. CGT is taking all measures to popularize the scheme among MSE.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
2. RBI is taking all measures to popularize the scheme among MSE.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
3. BOB is taking all measures to popularize the scheme among MSE.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
4. Advt. by CGT. RBI & Banks can enhance awareness level of MSE about CGT.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5
5. MSE canl be attracted to CGT through effective advt.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

EDUCATION

1. Education is having a bearing on awareness.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

SOCIAL CAPITAL

1. Social capital is having a bearing on awareness.
   Strongly agree Neutral Strongly disagree
   1 2 3 4 5

SCHEME DETAILS IN VERNACULAR:

1. Distribution of scheme materials in vernacular can help MSE to understand the scheme.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

PROXIMITY WITH BANKERS:

1. Those who are close to bankers have a better change of knowing more about the scheme than those who are not.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

IT LITERACY

1. Those who have access to internet and have better chance of knowing CGTMSE scheme, than those who are not IT literate.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

ABILITY TO COLLECT INFORMATION:

1. Lack of awareness of the scheme keep you away from approaching a bank to avail credit under the scheme.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

2. You are not aware of what constitute a micro manufacturing enterprise.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

3. You are not aware of what constitute a micro service enterprise.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

4. You are not aware of what constitute a small manufacturing enterprise.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

5. You are not aware of what constitute a small servie enterprise.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

PASSIVE ATTITUDE OF BANKERS:

1. Passive attitude of bankers to MSE keeps the scheme details away from needy MSE borrowers.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

2. Starting a CGTMSE help desk can assist MSE to know more about the scheme.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

3. Sending mailers by Bank to all MSE informing them about the scheme and offering credit subject to conditions of the scheme could accelerate lending under CGTMSE.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

4. Bank should conduct awareness camp about the scheme to make MSE aware about the scheme.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

5. Facility for online application can promote the scheme, as at present oral requests by MSE for credit are being turned down by bankers without specific reason.

   Strongly agree Neutral Strongly disagree

   1 2 3 4 5

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QUESTIONNAIRE ADMINISTERED TO ALL BORROWERS , WHO HAVE AVAILED CGTMSE CREDIT FROM BANK OF BARODA, IN THE STATE OF KERALA TO ASSESS THE DIFFICULTIES FACED BY THEM IN AVAILING CREDIT.

PERSONAL PROFILE

Name of the borrower:
Address:
Age of the respondent:
A) Below 35 B) 35 -45 C) Above 45
Name of the Unit:
Whether registered as SSI?
Year of incorporation?

1. Highest educational attainment
   a) No Schooling
   b) Upto Matriculate
   c) Matriculate & above

2. Do you own any landed property either in your name or in the name of any of the family members:
   a) Yes
   b) No

3. Total investment in the unit including bank loan:
   a) Less than 5 lac
   b) 5-10 lacs
   c) Above 10 lacs

4. Do you feel that only because the loan was given without any collateral security, you could avail it :
   a) Yes
   b) No

5. Whether margin was provided by you?
   a) Yes
   b) No

6. What is the % of margin stipulated by bank?
   a) 10
   b) 15
   c) 25

7. Did you give the margin in cash?
   a) Yes
   b) No
8. How did you give it?
   a) By crediting to my account
   b) As advance to my supplier

9. Have you confirmed that the asset/s acquired by you comprises of the amount advanced by the bank plus margin given by you?
   a) Yes
   b) No

10. Have you charged to the bank the entire asset purchased by you using the loan given by the bank and margin brought in by you ?
    a) Yes
    b) No

11. How did you arrange the margin money?
    a) From savings
    b) By borrowing from friends / relatives
    c) By borrowing from money lender

12. Was it difficult for you to arrange for margin?
    a) Yes
    b) No

13 Do you know the maximum amount upto which you can avail collateral free loan for CGTMSE is 100 lacs?
   a) Yes
   b) No

14 In case bank is prepared to finance 100 lacs under CGTMSE, are you capable enough to bring in margin of 25%?
   a) Yes
   b) No

15. Which of the following you will rate as the most difficult for you in the event of availing a loan of Rs.100 lacs under CGTMSE?
    a) Arranging margin of 25%
    b) Getting the sanction
    c) Submitting the informations required by bank
    d) Documentation

16. Whether bank has given you a sanction letter?
    a) Yes
    b) No

17. Whether a copy of CGTMSE in vernacular was given to you by the bank?
    a) Yes
    b) No

18. Which one you feel is more difficult for you in availing a loan :
    a) Arranging for collateral
    b) Arranging for margin.

19. Why?

    a) Margin has to be brought in cash
    b) Collateral can be from friends & relatives.
    c) When a relatives property is given as collateral, no interest need be paid, whereas for borrowing margin money, even from friends or relatives I have to pay interest.
    d) If I have to borrow from moneylender, very high ROI has to be paid.
    e) Athe above.

20. Do you feel that any amount brought in by you as margin and charged to the bank is additional security?
    a) Yes
    b) No

21 You have provided 25 % margin to avail the advance.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

22. You have you brought in the entire margin in cash.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

23. Margin is additional security.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

24. Margin has been used to purchase 25% of the asset financed by Bank.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

25. Those who are not financially sound has to borrow to provide margin.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

AWARENESS LEVEL.

1. You are not aware as to what is meant by micro manufacturing enterprise.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

2. You are not aware as to what is meant by micro service enterprise.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

3. You are not aware as to what is meant by small manufacturing enterprise

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

4. You are not aware as to what is meant by small service enterprise.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

5. You are aware of the upper cap of the scheme, which is 100 lacs.

Strongly agree		Neutral		Strongly disagree
1	2	3	4	5

ANALYSIS OF DIVERGENCE IN GUIDELINES

Group Statistics

Group Statistics	Group Statistics	Group Statistics	Group Statistics	Group Statistics	Group Statistics
Do you feel that CGTMSE guidelines are silent about margin norms?	Bank officers	61	1.5082	.69816	.08939
	Credit officers	61	1.0000	.00000	.00000
Do you feel that margin is obtained as per guidelines of Bank of Baroda?	Bank officers	61	1.5082	.69816	.08939
	Credit officers	61	1.0000	.00000	.00000
Do you feel margin is an additional security?	Bank officers	61	1.7869	.98514	.12613
	Credit officers	61	1.2623	.99836	.12783
Do you feel that margin on loan @ 25 % is obtained as stipulated by Bank of Baroda?	Bank officers	61	1.1475	.35759	.04578
	Credit officers	61	1.0000	.00000	.00000
Margin is obtained both for start up ventures as well as for existing ventures?	Bank officers	61	1.2951	.71518	.09157
	Credit officers	61	1.0000	.00000	.00000
Do you feel that any security obtained over primary security is additional security?	Bank officers	61	1.0000	.00000(a)	.00000
	Credit officers	61	1.0000	.00000(a)	.00000
Do you feel that any asset charged to bank over and above those acquired using bank loan, is additional security?	Bank officers	61	1.1475	.35759	.04578
	Credit officers	61	1.0000	.00000	.00000
Do you feel additional security of margin is collateral security?	Bank officers	61	1.0000	.00000	.00000
	Credit officers	61	1.1803	.61936	.07930
per international practice securities are divided into primary collateral and secondary collateral, of which asset acquired out of bank loan is primary collateral and all the rest is secondary collateral. do you feel to bring in clarity the term margin ha	Bank officers	61	1.0000	.00000	.00000
	Credit officers	61	1.1475	.44106	.05647
Do you feel, since margin is obtained, if is not fair to term the loan as collateral free, if we treat margin as secondary collateral in tune with international standards?	Bank officers	61	1.0000	.00000	.00000
	Credit officers	61	1.1803	.67102	.08592

at cannot be computed because the standard deviations of both groups are 0.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Do you feel that CGTMSE guidelines are silent about margin norms?	Equal variances assumed	229.495	.000	5.685	120	.000	.5082	.08939	.33121	.68518
	Equal variances not assumed			5.685	60.000	.000	.5082	.08939	.32939	.68700
Do you feel that margin is obtained as per guidelines of Bank of Baroda?	Equal variances assumed	229.495	.000	5.685	120	.000	.5082	.08939	.33121	.68518
	Equal variances not assumed			5.685	60.000	.000	.5082	.08939	.32939	.68700
Do you feel margin is an additional security?	Equal variances assumed	4.411	.038	2.921	120	.004	.5246	.17958	.16903	.88015
	Equal variances not assumed			2.921	119.979	.004	.5246	.17958	.16903	.88015
Do you feel that margin on loan @ 25 % is obtained as stipulated by Bank of Baroda?	Equal variances assumed	60.746	.000	3.223	120	.002	.1475	.04578	.05689	.23819
	Equal variances not assumed			3.223	60.000	.002	.1475	.04578	.05596	.23912
Margin is obtained both for start up ventures as well as for existing ventures?	Equal variances assumed	60.746	.000	3.223	120	.002	.2951	.09157	.11378	.47638
	Equal variances not assumed			3.223	60.000	.002	.2951	.09157	.11192	.47825
Do you feel that any asset charged to bank over and above those acquired using bank loan, is additional security?	Equal variances assumed	60.746	.000	3.223	120	.002	.1475	.04578	.05689	.23819
	Equal variances not assumed			3.223	60.000	.002	.1475	.04578	.05596	.23912
Do you feel additional security of margin is collateral security?	Equal variances assumed	23.362	.000	-2.274	120	.025	-.1803	.07930	-.33734	-.02332
	Equal variances not assumed			-2.274	60.000	.027	-.1803	.07930	-.33895	-.02170
per international practice securities are divided into primary collateral and secondary collateral, of which asset acquired out of bank loan is primary collateral and all the rest is secondary collateral. do you feel to bring in clarity the term margin ha	Equal variances assumed	33.256	.000	-2.613	120	.010	-.1475	.05647	-.25935	-.03573
	Equal variances not assumed			-2.613	60.000	.011	-.1475	.05647	-.26050	-.03458
Do you feel, since margin is obtained, if is not fair to term the loan as collateral free, if we treat margin as secondary collateral in tune with international standards?	Equal variances assumed	19.736	.000	-2.099	120	.038	-.1803	.08592	-.35044	-.01022
	Equal variances not assumed			-2.099	60.000	.040	-.1803	.08592	-.35219	-.00847

T-Test

Group Statistics	Category of respondents	N	Mean	Std. Deviation	Std. Error Mean
Do you feel since asset created out of bank loan is the only stated security in the scheme for first time entrepreneurs?	**Bank officers**	61	1.0000	.00000(a)	.00000
	Credit officers	61	1.0000	.00000(a)	.00000
Do you feel that margin is obtained without any difference between start up and existing ventures?	**Bank officers**	61	1.0000	.00000(a)	.00000
	Credit officers	61	1.0000	.00000(a)	.00000
Do you feel that for existing enterprises secondary collateral owned and used for the purpose of business may continued to be obtained as stipulated by scheme?	**Bank officers**	61	1.0328	.17956	.02299
	Credit officers	61	1.1475	.35759	.04578
Do you feel that since start up enterprises do not have any asset owned and used for the business, they should be exempted from margin, which is a secondary collateral?	**Bank officers**	61	1.0000	.00000	.00000
	Credit officers	61	1.1639	.55318	.07083
Do you feel that for security consideration, there should not be any difference between start up firms and existing firms as todays start up becomes tomorrows existing?	**Bank officers**	61	1.5082	.74438	.09531
	Credit officers	61	2.6393	1.79845	.23027

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Do you feel that for existing enterprises secondary collateral owned and used for the purpose of business may continued to be obtained as stipulated by scheme?	**Equal variances assumed**	23.544	.000	-2.240	120	.027	-.1148	.05123	-.21619	-.01332
	Equal variances not assumed			-2.240	88.448	.028	-.1148	.05123	-.21656	-.01295
Do you feel that since start up enterprises do not have any asset owned and used for the business, they should be exempted from margin, which is a secondary collateral?	**Equal variances assumed**	24.548	.000	-2.315	120	.022	-.1639	.07083	-.30417	-.02370
	Equal variances not assumed			-2.315	60.000	.024	-.1639	.07083	-.30561	-.02226
Do you feel that for security consideration, there should not be any difference between start up firms and existing firms as todays start up becomes tomorrows existing?	**Equal variances assumed**	198.673	.000	-4.539	120	.000	-1.1311	.24921	-1.62457	-.63772
	Equal variances not assumed			-4.539	79.971	.000	-1.1311	.24921	-1.62710	-.63520

T-Test

Group Statistics	Category of respondents	N	Mean	Std. Deviation	Std. Error Mean
In between a collateral free loan with CGTMSE cover and another advance with collateral security, bankers prefer the latter. Do you agree?	Bank officers	61	2.2951	1.34591	.17233
	Credit officers	61	1.0000	.00000	.00000
Do you feel realization of amount guaranteed by CGT is too time consuming?	Bank officers	61	1.9180	.93622	.11987
	Credit officers	61	1.0000	.00000	.00000
Do you feel that realization of collateral security obtained is easier ?	Bank officers	61	1.9180	.93622	.11987
	Credit officers	61	1.0000	.00000	.00000
Do you feel that by increasing the value of collateral, bank need not suffer any loss, in the event of acoount turning to be NPA?	Bank officers	61	1.9180	.93622	.11987
	Credit officers	61	1.0000	.00000	.00000
Do you feel in every case CGT guarantee is obtainined the difference between amount in default and guarantee cover (which now is 85% at the highest level for micro enterprises upto 10 lakhs) has to be borne by Bank?	Bank officers	61	1.0000	.00000(a)	.00000
	Credit officers	61	1.0000	.00000(a)	.00000

a t cannot be computed because the standard deviations of both groups are 0.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
In between a collateral free loan with CGTMSE cover and another advance with collateral security, bankers prefer the latter. Do you agree?	**Equal variances assumed**	216.913	.000	7.515	120	.000	1.2951	.17233	.95389	1.63628
	Equal variances not assumed			7.515	60.000	.000	1.2951	.17233	.95038	1.63979
Do you feel realization of amount guaranteed by CGT is too time consuming?	**Equal variances assumed**	92.011	.000	7.659	120	.000	.9180	.11987	.68070	1.15537
	Equal variances not assumed			7.659	60.000	.000	.9180	.11987	.67826	1.15781
Do you feel that realization of collateral security obtained is easier ?	**Equal variances assumed**	92.011	.000	7.659	120	.000	.9180	.11987	.68070	1.15537
	Equal variances not assumed			7.659	60.000	.000	.9180	.11987	.67826	1.15781
Do you feel that by increasing the value of collateral, bank need not suffer any loss, in the event of acoount turning to be NPA?	**Equal variances assumed**	92.011	.000	7.659	120	.000	.9180	.11987	.68070	1.15537
	Equal variances not assumed			7.659	60.000	.000	.9180	.11987	.67826	1.15781

ANALYSIS OF DIVERGENCE IN GUIDELINES:

T-Test

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that CGTMSE guidelines are silent about margin norms?	122	1.2541	.55390	.05015
Do you feel that margin is obtained as per guidelines of Bank of Baroda?	122	1.2541	.55390	.05015
Do you feel margin is an additional security?	122	1.5246	1.02218	.09254
Do you feel that margin on loan @ 25 % is obtained as stipulated by Bank of Baroda?	122	1.0738	.26247	.02376
Margin is obtained both for start up ventures as well as for existing ventures?	122	1.1475	.52495	.04753
Do you feel that any security obtained over primary security is additional security?	122	1.0000	.00000(a)	.00000
Do you feel that any asset charged to bank over and above those acquired using bank loan, is additional security?	122	1.0738	.26247	.02376
Do you feel additional security of margin is collateral security?	122	1.0902	.44544	.04033
per international practice securities are divided into primary collateral and secondary collateral, of which asset acquired out of bank loan is primary collateral and all the rest is secondary collateral. do you feel to bring in clarity the term margin ha	122	1.0738	.31930	.02891
Do you feel, since margin is obtained, if is not fair to term the loan as collateral free, if we treat margin as secondary collateral in tune with international standards?	122	1.0902	.48112	.04356
Do you feel since asset created out of bank loan is the only stated security in the scheme for first time entrepreneurs?	122	1.0000	.00000(a)	.00000
Do you feel that margin is obtained without any difference between start up and existing ventures?	122	1.0000	.00000(a)	.00000
Do you feel that for existing enterprises secondary collateral owned and used for the purpose of business may continued to be obtained as stipulated by scheme?	122	1.0902	.28760	.02604
Do you feel that since start up enterprises do not have any asset owned and used for the business, they should be exempted from margin, which is a secondary collateral?	122	1.0820	.39814	.03605

Do you feel that for security consideration, there should not be any difference between start up firms and existing firms as todays start up becomes tomorrows existing?	122	2.0738	1.48362	.13432
In between a collateral free loan with CGTMSE cover and another advance with collateral security, bankers prefer the latter. Do you agree?	122	1.6475	1.14936	.10406
Do you feel realization of amount guaranteed by CGT is too time consuming?	122	1.4590	.80440	.07283
Do you feel that realization of collateral security obtained is easier ?	122	1.4590	.80440	.07283
Do you feel that by increasing the value of collateral, bank need not suffer any loss, in the event of acoount turning to be NPA?	122	1.4590	.80440	.07283
Do you feel in every case CGT guarantee is obtainined the difference between amount in default and guarantee cover (which now is 85% at the highest level for micro enterprises upto 10 lakhs) has to be borne by Bank?	122	1.0000	.00000(a)	.00000

a t cannot be computed because the standard deviation is 0.

One-Sample Test

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that CGTMSE guidelines are silent about margin norms?	25.008	121	.000	1.2541	1.1548	1.3534
Do you feel that margin is obtained as per guidelines of Bank of Baroda?	25.008	121	.000	1.2541	1.1548	1.3534
Do you feel margin is an additional security?	16.474	121	.000	1.5246	1.3414	1.7078
Do you feel that margin on loan @ 25 % is obtained as stipulated by Bank of Baroda?	45.186	121	.000	1.0738	1.0267	1.1208
Margin is obtained both for start up ventures as well as for existing ventures?	24.145	121	.000	1.1475	1.0534	1.2416
Do you feel that any asset charged to bank over and above those acquired using bank loan, is additional security?	45.186	121	.000	1.0738	1.0267	1.1208

Do you feel additional security of margin is collateral security?	27.032	121	.000	1.0902	1.0103	1.1700
per international practice securities are divided into primary collateral and secondary collateral, of which asset acquired out of bank loan is primary collateral and all the rest is secondary collateral. do you feel to bring in clarity the term margin ha	37.145	121	.000	1.0738	1.0165	1.1310
Do you feel, since margin is obtained, if is not fair to term the loan as collateral free, if we treat margin as secondary collateral in tune with international standards?	25.028	121	.000	1.0902	1.0039	1.1764
Do you feel that for existing enterprises secondary collateral owned and used for the purpose of business may continued to be obtained as stipulated by scheme?	41.868	121	.000	1.0902	1.0386	1.1417
Do you feel that since start up enterprises do not have any asset owned and used for the business, they should be exempted from margin, which is a secondary collateral?	30.016	121	.000	1.0820	1.0106	1.1533
Do you feel that for security consideration, there should not be any difference between start up firms and existing firms as todays start up becomes tomorrows existing?	15.439	121	.000	2.0738	1.8078	2.3397
In between a collateral free loan with CGTMSE cover and another advance with collateral security, bankers prefer the latter. Do you agree?	15.833	121	.000	1.6475	1.4415	1.8536
Do you feel realization of amount guaranteed by CGT is too time consuming?	20.034	121	.000	1.4590	1.3148	1.6032
Do you feel that realization of collateral security obtained is easier ?	20.034	121	.000	1.4590	1.3148	1.6032
Do you feel that by increasing the value of collateral, bank need not suffer any loss, in the event of acoount turning to be NPA?	20.034	121	.000	1.4590	1.3148	1.6032

ANALYSIS OF PROBLEM FACED BY BORROWERS OF BANK OF BARODA IN AVAILING CGTMSE LENDING:

T-Test

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Have you provided 25 % margin?	54	1.7963	.40653	.05532
Have you brought in the entire margin in cash?	54	1.2593	.44234	.06020
Do you feel that margin is additional security?	54	1.2593	.44234	.06020
Do you feel that it is difficult to bring margin as it has to be brought in cash?	54	1.5185	.74582	.10149
Do you feel that those who are not financially sound has to borrow at high rate of interest to provide margin?	54	1.5185	.74582	.10149
Do you feel that you are not aware as to what is meant by micro manufacturing enterprise?	54	1.0000	.00000(a)	.00000
Do you feel that you are not aware as to what is meant by micro service enterprise?	54	1.2037	.40653	.05532
Do you feel that you are not aware as to what is meant by small manufacturing enterprise?	54	1.4074	.81307	.11064
Do you feel that you are not aware as to what is meant by small service enterprise?	54	1.6111	1.21960	.16597

a t cannot be computed because the standard deviation is 0.

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Have you provided 25 % margin?	32.470	53	.000	1.7963	1.6853	1.9073
Have you brought in the entire margin in cash?	20.920	53	.000	1.2593	1.1385	1.3800
Do you feel that margin is additional security?	20.920	53	.000	1.2593	1.1385	1.3800
Do you feel that it is difficult to bring margin as it has to be brought in cash?	14.962	53	.000	1.5185	1.3149	1.7221
Do you feel that those who are not financially sound has to borrow at high rate of interest to provide margin?	14.962	53	.000	1.5185	1.3149	1.7221
Do you feel that you are not aware as to what is meant by micro service enterprise?	21.758	53	.000	1.2037	1.0927	1.3147
Do you feel that you are not aware as to what is meant by small manufacturing enterprise?	12.720	53	.000	1.4074	1.1855	1.6293
Do you feel that you are not aware as to what is meant by small service enterprise?	9.707	53	.000	1.6111	1.2782	1.9440

ANLAYSIS OF AWARENESS LEVEL OF MSE BORROWERS ABOUT CGTMSE

T-Test

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that CGT is taking all measures to popularize the scheme among MSE?	121	4.4215	1.22306	.11119
Do you feel RBI is taking all measures to popularize the scheme among MSE?	121	4.9256	.26348	.02395
Do you feel BOB is taking all measures to popularize the scheme among MSE?	121	4.7686	.42348	.03850
Do you feel that advt. by CGT. RBI & Banks can enhance awareness level of MSE about CGT?	121	1.0165	.12803	.01164
Do you feel that more MSE will be attracted to CGT through effective advt.?	121	1.0165	.12803	.01164
Do you feel education is having a bearing on awareness?	121	1.2231	.41808	.03801
Do you feel that networking is having a bearing on awareness?	121	1.0000	.00000(a)	.00000
Do you feel distribution of scheme materials in vernacular can help MSE to understand the scheme?	121	1.4463	.83617	.07602
Do you feel those who are close to bankers have a better change of knowing more about the scheme than those who are not so close?	121	1.2231	.41808	.03801
Do you feel that those who have access to internet and have better chance of knowing CGTMSE scheme, than those who are not IT literate?	121	1.0000	.00000(a)	.00000
Do you feel that lack of awareness of the scheme kept you away from approaching a bank to avail credit under the scheme?	121	1.1983	.65345	.05940
Do you feel that you are not aware of what constitute a micro manufacturing enterprise?	121	1.1818	.57735	.05249

Do you feel that you are not aware of what constitute a micro service enterprise?	121	1.1653	.52197	.04745
Do you feel that you are not aware of what constitute a small manufacturing enterprise?	121	1.1488	.49432	.04494
Do you feel that you are not aware of what constitute a small servie enterprise?	121	1.1736	.60108	.05464
Do you feel that passive attitude of bankers to MSE keeps the scheme details away from needy MSE borrowers?	121	2.1570	.87567	.07961
Do you feel starting a CGTMSE help desk can assist MSE to know more about the scheme?	121	1.0744	.43138	.03922
Do you feel that bank should send mailers to all MSE informing them about the scheme and offering credit subject to conditions of the scheme?	121	1.0413	.32651	.02968
Bank should condict awareness camp about the scheme to make MSE aware about the scheme?	121	1.0579	.34875	.03170
Do you feel that facility for online application can promote the scheme, as at present oral requests by MSE for credit are being turned down by bankers without specific reason?	121	1.0826	.42006	.03819

a t cannot be computed because the standard deviation is 0.

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that CGT is taking all measures to popularize the scheme among MSE?	39.766	120	.000	4.4215	4.2013	4.6416
Do you feel RBI is taking all measures to popularize the scheme among MSE?	205.640	120	.000	4.9256	4.8782	4.9730
Do you feel BOB is taking all measures to popularize the scheme among MSE?	123.864	120	.000	4.7686	4.6924	4.8448
Do you feel that advt. by CGT. RBI & Banks can enhance awareness level of MSE about CGT?	87.339	120	.000	1.0165	.9935	1.0396
Do you feel that more MSE will be attracted to CGT through effective advt.?	87.339	120	.000	1.0165	.9935	1.0396
Do you feel education is having a bearing on awareness?	32.182	120	.000	1.2231	1.1479	1.2984
Do you feel distribution of scheme materials in vernacular can help MSE to understand the scheme?	19.026	120	.000	1.4463	1.2958	1.5968
Do you feel those who are close to bankers have a better change of knowing more about the scheme than those who are not so close?	32.182	120	.000	1.2231	1.1479	1.2984
Do you feel that lack of awareness of the scheme kept you away from approaching a bank to avail credit under the scheme?	20.173	120	.000	1.1983	1.0807	1.3160
Do you feel that you are not aware of what constitute a micro manufacturing enterprise?	22.517	120	.000	1.1818	1.0779	1.2857
Do you feel that you are not aware of what constitute a micro service enterprise?	24.557	120	.000	1.1653	1.0713	1.2592

Do you feel that you are not aware of what constitute a small manufacturing enterprise?	25.563	120	.000	1.1488	1.0598	1.2377
Do you feel that you are not aware of what constitute a small servie enterprise?	21.477	120	.000	1.1736	1.0654	1.2817
Do you feel that passive attitude of bankers to MSE keeps the scheme details away from needy MSE borrowers?	27.096	120	.000	2.1570	1.9994	2.3146
Do you feel starting a CGTMSE help desk can assist MSE to know more about the scheme?	27.396	120	.000	1.0744	.9967	1.1520
Do you feel that bank should send mailers to all MSE informing them about the scheme and offering credit subject to conditions of the scheme?	35.081	120	.000	1.0413	.9826	1.1001
Bank should condict awareness camp about the scheme to make MSE aware about the scheme?	33.366	120	.000	1.0579	.9951	1.1206
Do you feel that facility for online application can promote the scheme, as at present oral requests by MSE for credit are being turned down by bankers without specific reason?	28.351	120	.000	1.0826	1.0070	1.1583

ANALYSIS OF VARIANCE IN GUIDELINES:

T-Test

Group Statistics

	Category of respondents	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that lending under CGTMSE is non-mandatory?	Branch managers	61	1.3607	.54872	.07026
	Credit officers	61	4.6885	.62024	.07941
Do you feel that as CGTMSE lending is not mandatory, bankers have the option to lend or not to lend under CGTMSE	Branch managers	61	1.5410	.69699	.08924
	Credit officers	61	3.3934	.73663	.09432
Do you feel that priority for implementation is for mandatory guidelines than for non-mandatory guidelines	Branch managers	61	1.5246	.67346	.08623
	Credit officers	61	3.9836	.88491	.11330
Do you feel that non-mandatory nature of CGTMSE lending has reduced lending under CGTMSE	Branch managers	61	1.4590	.50245	.06433
	Credit officers	61	2.9016	.97818	.12524
Do you feel that mandatoy requirement is essential to compel bankers to lend under CGTMSE	Branch managers	61	1.8361	.79959	.10238
	Credit officers	61	2.8525	1.18090	.15120

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Do you feel that lending under CGTMSE is non-mandatory?	Equal variances assumed	.007	.935	-31.386	120	.000	-3.3279	.10603	-3.53780	-3.11794
	Equal variances not assumed			-31.386	118.243	.000	-3.3279	.10603	-3.53783	-3.11790
Do you feel that as CGTMSE lending is not mandatory, bankers have the option to lend or not to lend under CGTMSE	Equal variances assumed	.165	.686	-14.267	120	.000	-1.8525	.12984	-2.10954	-1.59538
	Equal variances not assumed			-14.267	119.635	.000	-1.8525	.12984	-2.10955	-1.59537
Do you feel that priority for implementation is for mandatory guidelines than for non-mandatory guidelines	Equal variances assumed	6.964	.009	-17.271	120	.000	-2.4590	.14238	-2.74092	-2.17711
	Equal variances not assumed			-17.271	112.045	.000	-2.4590	.14238	-2.74112	-2.17691
Do you feel that non-mandatory nature of CGTMSE lending has reduced lending under CGTMSE	Equal variances assumed	8.889	.003	-10.246	120	.000	-1.4426	.14080	-1.72140	-1.16385
	Equal variances not assumed			-10.246	89.601	.000	-1.4426	.14080	-1.72236	-1.16288
Do you feel that mandatoy requirement is essential to compel bankers to lend under CGTMSE	Equal variances assumed	2.022	.158	-5.566	120	.000	-1.0164	.18260	-1.37793	-.65486
	Equal variances not assumed			-5.566	105.460	.000	-1.0164	.18260	-1.37843	-.65435

T-Test

Group Statistics

	Category of respondents	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that CGTMSE guarantees credit extended by MLI only	Branch managers	61	1.3115	.46694	.05979
	Credit officers	61	2.1967	.40082	.05132
Do you feel that it is optional for banks to become MLI	Branch managers	61	2.2459	1.22005	.15621
	Credit officers	61	2.2623	1.53733	.19684
Do you feel that optional nature of membership reduces the reach of the scheme	Branch managers	61	1.9508	.76215	.09758
	Credit officers	61	2.1803	1.08794	.13930
The delay taken by banks / financial institutions in joining as MLI of CGTMSE, has reduced the reach of the scheme?	Branch managers	61	2.4262	.74070	.09484
	Credit officers	61	1.3443	.79342	.10159
Do you feel that the coverage of the scheme would have been more, had it been extended to entire banks / financial institutions, rather than limiting it to MLI alone	Branch managers	61	1.9344	.81382	.10420
	Credit officers	61	3.4590	1.17720	.15072

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Do you feel that CGTMSE guarantees credit extended by MLI only	Equal variances assumed	8.625	.004	-11.235	120	.000	-.8852	.07879	-1.04125	-.72925
	Equal variances not assumed			-11.235	117.307	.000	-.8852	.07879	-1.04128	-.72921
Do you feel that it is optional for banks to become MLI	Equal variances assumed	10.315	.002	-.065	120	.948	-.0164	.25129	-.51393	.48114
	Equal variances not assumed			-.065	114.113	.948	-.0164	.25129	-.51419	.48140
Do you feel that optional nature of membership reduces the reach of the scheme	Equal variances assumed	1.761	.187	-1.349	120	.180	-.2295	.17008	-.56625	.10723
	Equal variances not assumed			-1.349	107.461	.180	-.2295	.17008	-.56665	.10763
The delay taken by banks / financial institutions in joining as MLI of CGTMSE, has reduced the reach of the scheme?	Equal variances assumed	1.388	.241	7.785	120	.000	1.0820	.13897	.80681	1.35713
	Equal variances not assumed			7.785	119.437	.000	1.0820	.13897	.80679	1.35714
Do you feel that the coverage of the scheme would have been more, had it been extended to entire banks / financial institutions, rather than limiting it to MLI alone	Equal variances assumed	9.753	.002	-8.320	120	.000	-1.5246	.18324	-1.88738	-1.16180
	Equal variances not assumed			-8.320	106.687	.000	-1.5246	.18324	-1.88785	-1.16134

T-Test

Group Statistics

	Category of respondents	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that MLI needs approval from CGT for each sanction	Branch managers	61	1.6885	.46694	.05979
	Credit officers	61	2.7869	1.08189	.13852
Do you feel individual approval causes delay in giving credit	Branch managers	61	1.4754	.74401	.09526
	Credit officers	61	3.7541	1.69957	.21761
Do you feel that getting approval for every sanction has contributed to poor growth of CGTMSE lending	Branch managers	61	1.8525	.62812	.08042
	Credit officers	61	1.8033	.85283	.10919
Do you feel that approaching CGT for approval has discouraged bankers to lend under CGTMSE	Branch managers	61	2.5410	1.43264	.18343
	Credit officers	61	1.0000	.00000	.00000
Do you feel that CGT has to remove approval stipulation to increase CGTMSE lending	Branch managers	61	1.5246	.64824	.08300
	Credit officers	61	3.4590	1.13393	.14518

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Do you feel that MLI needs approval from CGT for each sanction	Equal variances assumed	30.939	.000	-7.280	120	.000	-1.0984	.15087	-1.39708	-.79964
	Equal variances not assumed			-7.280	81.603	.000	-1.0984	.15087	-1.39852	-.79820
Do you feel individual approval causes delay in giving credit	Equal variances assumed	43.770	.000	-9.593	120	.000	-2.2787	.23754	-2.74901	-1.80837
	Equal variances not assumed			-9.593	82.182	.000	-2.2787	.23754	-2.75122	-1.80615
Do you feel that getting approval for every sanction has contributed to poor growth of CGTMSE lending	Equal variances assumed	10.504	.002	.363	120	.718	.0492	.13561	-.21933	.31769
	Equal variances not assumed			.363	110.295	.718	.0492	.13561	-.21957	.31793
Do you feel that approaching CGT for approval has discouraged bankers to lend under CGTMSE	Equal variances assumed	218.950	.000	8.401	120	.000	1.5410	.18343	1.17780	1.90416
	Equal variances not assumed			8.401	60.000	.000	1.5410	.18343	1.17407	1.90790
Do you feel that CGT has to remove approval stipulation to increase CGTMSE lending	Equal variances assumed	11.914	.001	-11.567	120	.000	-1.9344	.16723	-2.26554	-1.60331
	Equal variances not assumed			-11.567	95.433	.000	-1.9344	.16723	-2.26641	-1.60244

T-Test

Group Statistics					
	Category of respondents	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Do you feel that lock-in-period of 18 months is a limiting factor for bankers to lend under CGTMSE	Branch managers	61	1.2951	.45986	.05888
	Credit officers	61	3.0984	1.31282	.16809
Do you feel that stipulation to initiate legal action before filing claim for guarantee discourages bankers to lend under CGTMSE	Branch managers	61	1.2951	.45986	.05888
	Credit officers	61	3.0984	1.31282	.16809
Do you feel that the stipulation to invoke guarantee within one year of the account becoming NPA is a rigid compliance norm for bankers	Branch managers	61	1.2951	.45986	.05888
	Credit officers	61	3.0984	1.31282	.16809
Do you feel that the stipulation of release of final claim by the Trust to MLI after three years of recovery become time barred discourages bankers to lend under CGTMSE	Branch managers	61	1.2951	.45986	.05888
	Credit officers	61	3.0984	1.31282	.16809
Do you feel that unless provision for quick payment of guaranteed sum to MLI by CGT is incorporated, the scheme will remain totally unattractive to bankers	Branch managers	61	1.7049	.45986	.05888
	Credit officers	61	2.5082	1.45628	.18646

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Do you feel that lock-in-period of 18 months is a limiting factor for bankers to lend under CGTMSE	Equal variances assumed	24.527	.000	-10.125	120	.000	-1.8033	.17810	-2.15591	-1.45065
	Equal variances not assumed			-10.125	74.506	.000	-1.8033	.17810	-2.15812	-1.44844
Do you feel that stipulation to initiate legal action before filing claim for guarantee discourages bankers to lend under CGTMSE	Equal variances assumed	24.527	.000	-10.125	120	.000	-1.8033	.17810	-2.15591	-1.45065
	Equal variances not assumed			-10.125	74.506	.000	-1.8033	.17810	-2.15812	-1.44844
Do you feel that the stipulation to invoke guarantee within one year of the account becoming NPA is a rigid compliance norm for bankers	Equal variances assumed	24.527	.000	-10.125	120	.000	-1.8033	.17810	-2.15591	-1.45065
	Equal variances not assumed			-10.125	74.506	.000	-1.8033	.17810	-2.15812	-1.44844
Do you feel that the stipulation of release of final claim by the Trust to MLI after three years of recovery become time barred discourages bankers to lend under CGTMSE	Equal variances assumed	24.527	.000	-10.125	120	.000	-1.8033	.17810	-2.15591	-1.45065
	Equal variances not assumed			-10.125	74.506	.000	-1.8033	.17810	-2.15812	-1.44844
Do you feel that unless provision for quick payment of guaranteed sum to MLI by CGT is incorporated, the scheme will remain totally unattractive to bankers	Equal variances assumed	62.199	.000	-4.108	120	.000	-.8033	.19553	-1.19042	-.41614
	Equal variances not assumed			-4.108	71.848	.000	-.8033	.19553	-1.19308	-.41348

T-Test

Group Statistics					
	Category of respondents	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Do you feel that the payment of guarantee fee makes the lending costlier to customer	Branch managers	61	1.7213	.96835	.12398
	Credit officers	61	3.9672	1.60174	.20508
Do you feel that cost conscious customers would not prefer the scheme due to payment of guarantee fee	Branch managers	61	1.5082	.88737	.11362
	Credit officers	61	3.7869	1.71381	.21943
Do you feel provision of shouldering 50% of guarantee fee by Bank of Baroda, as per BOB guidelines, makes the lending less attractive for Bank	Branch managers	61	2.0492	1.03965	.13311
	Credit officers	61	3.2295	1.84746	.23654
Do you feel that weaker section of borrowers, who are eligible for other other govt. sponsored schemes would not prefer CGTMSE, because of additional burden of guarantee fee	Branch managers	61	4.2131	1.60328	.20528
	Credit officers	61	1.7705	1.18875	.15220
Do you feel the new recommendation to shoulder guarantee fee for Micro enterprises up to 10 lakh would promote lending to micro enterprises	Branch managers	61	2.0164	1.20405	.15416
	Credit officers	61	3.3607	1.93247	.24743

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Do you feel that the payment of guarantee fee makes the lending costlier to customer	Equal variances assumed	9.867	.002	-9.372	120	.000	-2.2459	.23965	-2.72039	-1.77142
	Equal variances not assumed			-9.372	98.691	.000	-2.2459	.23965	-2.72143	-1.77037
Do you feel that cost conscious customers would not prefer the scheme due to payment of guarantee fee	Equal variances assumed	32.924	.000	-9.222	120	.000	-2.2787	.24710	-2.76793	-1.78945
	Equal variances not assumed			-9.222	90.014	.000	-2.2787	.24710	-2.76960	-1.78778
Do you feel provision of shouldering 50% of guarantee fee by Bank of Baroda, as per BOB guidelines, makes the lending less attractive for Bank	Equal variances assumed	80.913	.000	-4.349	120	.000	-1.1803	.27143	-1.71773	-.64292
	Equal variances not assumed			-4.349	94.538	.000	-1.1803	.27143	-1.71921	-.64145
Do you feel that weaker section of borrowers, who are eligible for other other govt. sponsored schemes would not prefer CGTMSE, because of additional burden of guarantee fee	Equal variances assumed	2.074	.152	9.558	120	.000	2.4426	.25555	1.93665	2.94859
	Equal variances not assumed			9.558	110.659	.000	2.4426	.25555	1.93622	2.94903
Do you feel the new recommendation to shoulder guarantee fee for Micro enterprises up to 10 lakh would promote lending to micro enterprises	Equal variances assumed	73.900	.000	-4.611	120	.000	-1.3443	.29152	-1.92146	-.76707
	Equal variances not assumed			-4.611	100.484	.000	-1.3443	.29152	-1.92260	-.76592

T-Test

Group Statistics					
	Category of respondents	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Do you feel that knowledge gap is there about CGT among MSE	Branch managers	61	1.2623	.44353	.05679
	Credit officers	61	2.5738	1.77444	.22719
Do you feel more clients would come forward to avail CGTMSE advances, if the scheme is popularized	Branch managers	61	1.0000	.00000(a)	.00000
	Credit officers	61	1.0000	.00000(a)	.00000
Do you feel that branch level marketing of CGTMSE will help to increase lending	Branch managers	61	2.1967	1.01357	.12977
	Credit officers	61	1.1475	.35759	.04578
Do you feel that special incentives to be given to branch level officials for marketing the scheme	Branch managers	61	1.3279	.65119	.08338
	Credit officers	61	1.4426	.74217	.09503
Do you feel that lack of branch level marketing stands between the scheme and the intending borrower	Branch managers	61	1.7705	1.13127	.14484
	Credit officers	61	1.7377	1.18183	.15132

a t cannot be computed because the standard deviations of both groups are 0.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Do you feel that knowledge gap is there about CGT among MSE	Equal variances assumed	280.648	.000	-5.600	120	.000	-1.3115	.23418	-1.77514	-.84781
	Equal variances not assumed			-5.600	67.468	.000	-1.3115	.23418	-1.77885	-.84410
Do you feel that branch level marketing of CGTMSE will help to increase lending	Equal variances assumed	57.332	.000	7.624	120	.000	1.0492	.13761	.77671	1.32165
	Equal variances not assumed			7.624	74.708	.000	1.0492	.13761	.77502	1.32334
Do you feel that special incentives to be given to branch level officials for marketing the scheme	Equal variances assumed	2.694	.103	-.908	120	.366	-.1148	.12642	-.36505	.13554
	Equal variances not assumed			-.908	118.004	.366	-.1148	.12642	-.36509	.13559
Do you feel that lack of branch level marketing stands between the scheme and the intending borrower	Equal variances assumed	1.414	.237	.157	120	.876	.0328	.20947	-.38195	.44752
	Equal variances not assumed			.157	119.771	.876	.0328	.20947	-.38195	.44753

T-Test

Group Statistics					
	Category of respondents	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Do you feel that the biggest attraction of the scheme is that it is collateral free	Branch managers	61	1.0000	.00000(a)	.00000
	Credit officers	61	1.0000	.00000(a)	.00000
Do you feel primary security is only assets purchased out of bank loan	Branch managers	61	1.0000	.00000(a)	.00000
	Credit officers	61	1.0000	.00000(a)	.00000
Do you rate margin as additional security	Branch managers	61	2.0656	1.04672	.13402
	Credit officers	61	1.0492	.38411	.04918
Do you feel that any security obtained over and above primary security is collateral security	Branch managers	61	2.1311	1.07200	.13726
	Credit officers	61	1.0492	.38411	.04918
Do you feel obtaining margin is as good as obtaining collateral security	Branch managers	61	2.1148	1.67430	.21437
	Credit officers	61	1.0000	.00000	.00000

at cannot be computed because the standard deviations of both groups are 0.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Do you rate margin as additional security	Equal variances assumed	56.656	.000	7.120	120	.000	1.0164	.14276	.73374	1.29904
	Equal variances not assumed			7.120	75.872	.000	1.0164	.14276	.73206	1.30073
Do you feel that any security obtained over and above primary security is collateral security	Equal variances assumed	81.329	.000	7.421	120	.000	1.0820	.14580	.79329	1.37064
	Equal variances not assumed			7.421	75.157	.000	1.0820	.14580	.79153	1.37241
Do you feel obtaining margin is as good as obtaining collateral security	Equal variances assumed	270.571	.000	5.200	120	.000	1.1148	.21437	.69031	1.53920
	Equal variances not assumed			5.200	60.000	.000	1.1148	.21437	.68595	1.54356

T-Test

Group Statistics					
	Category of respondents	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Do you feel that graded cover is helpful for the growth of the scheme	Branch managers	61	4.1475	.44106	.05647
	Credit officers	61	3.8852	.87747	.11235
Credit facilities upto 5 lakhs to micro enterprises is eligible for the highest cover (85%). Do you feel this will promote lending to micro enterprises upto 5lakhs	Branch managers	61	1.7869	.41291	.05287
	Credit officers	61	2.7213	1.19904	.15352
Do you feel the recent recommendation of RBI working group making 85% cover for micro enterprises upto 10 lakh would promote lending upto 10 lakh to micro enterprises	Branch managers	61	1.0000	.00000	.00000
	Credit officers	61	1.2131	.66118	.08466
For credit facility from 50 to 100 lacs the maximum cover eligible for general category of borrower is Rs. 62.5 lakh. Do you feel this will limit lending beyond 50 lakhs	Branch managers	61	1.0000	.00000	.00000
	Credit officers	61	2.3770	1.47382	.18870
Do you feel that the fear of shouldering the uncovered portion of the credit by banks makes the scheme less popular amongst bankers	Branch managers	61	1.0000	.00000	.00000
	Credit officers	61	1.1803	.50027	.06405

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
Do you feel that graded cover is helpful for the growth of the scheme	Equal variances assumed	56.690	.000	2.086	120	.039	.2623	.12574	.01333	.51126
	Equal variances not assumed			2.086	88.500	.040	.2623	.12574	.01243	.51216
Credit facilities upto 5 lakhs to micro enterprises is eligible for the highest cover (85%). Do you feel this will promote lending to micro enterprises upto 5lakhs	Equal variances assumed	62.494	.000	-5.755	120	.000	-.9344	.16237	-1.25591	-.61295
	Equal variances not assumed			-5.755	74.033	.000	-.9344	.16237	-1.25795	-.61090
Do you feel the recent recommendation of RBI working group making 85% cover for micro enterprises upto 10 lakh would promote lending upto 10 lakh to micro enterprises	Equal variances assumed	29.699	.000	-2.517	120	.013	-.2131	.08466	-.38073	-.04550
	Equal variances not assumed			-2.517	60.000	.015	-.2131	.08466	-.38245	-.04378
For credit facility from 50 to 100 lacs the maximum cover eligible for general category of borrower is Rs. 62.5 lakh. Do you feel this will limit lending beyond 50 lakhs	Equal variances assumed	204.344	.000	-7.297	120	.000	-1.3770	.18870	-1.75067	-1.00343
	Equal variances not assumed			-7.297	60.000	.000	-1.3770	.18870	-1.75451	-.99959
Do you feel that the fear of shouldering the uncovered portion of the credit by banks makes the scheme less popular amongst bankers	Equal variances assumed	39.814	.000	-2.815	120	.006	-.1803	.06405	-.30715	-.05351
	Equal variances not assumed			-2.815	60.000	.007	-.1803	.06405	-.30845	-.05220

ANALYSIS OF DIVERGENCE IN GUIDELINES

Non-Mandatory Lending

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that lending under CGTMSE is non-mandatory?	122	3.0246	1.76964	.16022
Do you feel that as CGTMSE lending is not mandatory, bankers have the option to lend or not to lend under CGTMSE	122	2.4672	1.17258	.10616
Do you feel that priority for implementation is for mandatory guidelines than for non-mandatory guidelines	122	2.7541	1.46198	.13236
Do you feel that non-mandatory nature of CGTMSE lending has reduced lending under CGTMSE	122	2.1803	1.06030	.09600
Do you feel that mandatoy requirement is essential to compel bankers to lend under CGTMSE	122	2.3443	1.12647	.10199

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that lending under CGTMSE is non-mandatory?	18.878	121	.000	3.0246	2.7074	3.3418
Do you feel that as CGTMSE lending is not mandatory, bankers have the option to lend or not to lend under CGTMSE	23.240	121	.000	2.4672	2.2570	2.6774
Do you feel that priority for implementation is for mandatory guidelines than for non-mandatory guidelines	20.807	121	.000	2.7541	2.4921	3.0161
Do you feel that non-mandatory nature of CGTMSE lending has reduced lending under CGTMSE	22.713	121	.000	2.1803	1.9903	2.3704
Do you feel that mandatoy requirement is essential to compel bankers to lend under CGTMSE	22.986	121	.000	2.3443	2.1424	2.5462

MEMBER LENDING INSTITUTIONS (MLI)

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that CGTMSE guarantees credit extended by MLI only	122	1.7541	.62074	.05620
Do you feel that it is optional for banks to become MLI	122	2.2541	1.38207	.12513
Do you feel that optional nature of membership reduces the reach of the scheme	122	2.0656	.94246	.08533
The delay taken by banks / financial institutions in joining as MLI of CGTMSE, has reduced the reach of the scheme?	122	1.8852	.93770	.08490
Do you feel that the coverage of the scheme would have been more, had it been extended to entire banks / financial institutions, rather than limiting it to MLI alone	122	2.6967	1.26549	.11457

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that CGTMSE guarantees credit extended by MLI only	31.212	121	.000	1.7541	1.6428	1.8654
Do you feel that it is optional for banks to become MLI	18.015	121	.000	2.2541	2.0064	2.5018
Do you feel that optional nature of membership reduces the reach of the scheme	24.208	121	.000	2.0656	1.8966	2.2345
The delay taken by banks / financial institutions in joining as MLI of CGTMSE, has reduced the reach of the scheme?	22.207	121	.000	1.8852	1.7172	2.0533
Do you feel that the coverage of the scheme would have been more, had it been extended to entire banks / financial institutions, rather than limiting it to MLI alone	23.537	121	.000	2.6967	2.4699	2.9235

APPROVAL

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that MLI needs approval from CGT for each sanction	122	2.2377	.99630	.09020
Do you feel individual approval causes delay in giving credit	122	2.6148	1.73656	.15722
Do you feel that getting approval for every sanction has contributed to poor growth of CGTMSE lending	122	1.8279	.74626	.06756
Do you feel that approaching CGT for approval has discouraged bankers to lend under CGTMSE	122	1.7705	1.27134	.11510
Do you feel that CGT has to remove approval stipulation to increase CGTMSE lending	122	2.4918	1.33761	.12110

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that MLI needs approval from CGT for each sanction	24.808	121	.000	2.2377	2.0591	2.4163
Do you feel individual approval causes delay in giving credit	16.631	121	.000	2.6148	2.3035	2.9260
Do you feel that getting approval for every sanction has contributed to poor growth of CGTMSE lending	27.054	121	.000	1.8279	1.6941	1.9616
Do you feel that approaching CGT for approval has discouraged bankers to lend under CGTMSE	15.382	121	.000	1.7705	1.5426	1.9984
Do you feel that CGT has to remove approval stipulation to increase CGTMSE lending	20.576	121	.000	2.4918	2.2521	2.7316

GUARANTEE INVOKING NORMS:

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that lock-in-period of 18 months is a limiting factor for bankers to lend under CGTMSE	122	2.1967	1.33385	.12076
Do you feel that stipulation to initiate legal action before filing claim for guarantee discourages bankers to lend under CGTMSE	122	2.1967	1.33385	.12076
Do you feel that the stipulation to invoke guarantee within one year of the account becoming NPA is a rigid compliance norm for bankers	122	2.1967	1.33385	.12076
Do you feel that the stipulation of release of final claim by the Trust to MLI after three years of recovery become time barred discourages bankers to lend under CGTMSE	122	2.1967	1.33385	.12076
Do you feel that unless provision for quick payment of guaranteed sum to MLI by CGT is incorporated, the scheme will remain totally unattractive to bankers	122	2.1066	1.14853	.10398

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that lock-in-period of 18 months is a limiting factor for bankers to lend under CGTMSE	18.191	121	.000	2.1967	1.9576	2.4358
Do you feel that stipulation to initiate legal action before filing claim for guarantee discourages bankers to lend under CGTMSE	18.191	121	.000	2.1967	1.9576	2.4358
Do you feel that the stipulation to invoke guarantee within one year of the account becoming NPA is a rigid compliance norm for bankers	18.191	121	.000	2.1967	1.9576	2.4358

Do you feel that the stipulation of release of final claim by the Trust to MLI after three years of recovery become time barred discourages bankers to lend under CGTMSE	18.191	121	.000	2.1967	1.9576	2.4358
Do you feel that unless provision for quick payment of guaranteed sum to MLI by CGT is incorporated, the scheme will remain totally unattractive to bankers	20.259	121	.000	2.1066	1.9007	2.3124

PAYMENT OF GUARANTEE FEE

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that the payment of guarantee fee makes the lending costlier to customer	122	2.8443	1.73453	.15704
Do you feel that cost conscious customers would not prefer the scheme due to payment of guarantee fee	122	2.6475	1.77644	.16083
Do you feel provision of shouldering 50% of guarantee fee by Bank of Baroda, as per BOB guidelines, makes the lending less attractive for Bank	122	2.6393	1.60611	.14541
Do you feel that weaker section of borrowers, who are eligible for other other govt. sponsored schemes would not prefer CGTMSE, because of additional burden of guarantee fee	122	2.9918	1.86528	.16887
Do you feel the new recommendation to shoulder guarantee fee for Micro enterprises up to 10 lakh would promote lending to micro enterprises	122	2.6885	1.73958	.15749

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that the payment of guarantee fee makes the lending costlier to customer	18.112	121	.000	2.8443	2.5334	3.1552
Do you feel that cost conscious customers would not prefer the scheme due to payment of guarantee fee	16.462	121	.000	2.6475	2.3291	2.9659
Do you feel provision of shouldering 50% of guarantee fee by Bank of Baroda, as per BOB guidelines, makes the lending less attractive for Bank	18.151	121	.000	2.6393	2.3515	2.9272
Do you feel that weaker section of borrowers, who are eligible for other other govt. sponsored schemes would not prefer CGTMSE, because of additional burden of guarantee fee	17.716	121	.000	2.9918	2.6575	3.3261
Do you feel the new recommendation to shoulder guarantee fee for Micro enterprises up to 10 lakh would promote lending to micro enterprises	17.071	121	.000	2.6885	2.3767	3.0003

AWARENESS ABOUT THE SCHEME:

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that knowledge gap is there about CGT among MSE	122	1.9180	1.44651	.13096
Do you feel more clients would come forward to avail CGTMSE advances, if the scheme is popularized	122	1.0000	.00000(a)	.00000
Do you feel that branch level marketing of CGTMSE will help to increase lending	122	1.6721	.92211	.08348
Do you feel that special incentives to be given to branch level officials for marketing the scheme	122	1.3852	.69766	.06316
Do you feel that lack of branch level marketing stands between the scheme and the intending borrower	122	1.7541	1.15216	.10431

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that knowledge gap is there about CGT among MSE	14.646	121	.000	1.9180	1.6588	2.1773
Do you feel that branch level marketing of CGTMSE will help to increase lending	20.029	121	.000	1.6721	1.5069	1.8374
Do you feel that special incentives to be given to branch level officials for marketing the scheme	21.931	121	.000	1.3852	1.2602	1.5103
Do you feel that lack of branch level marketing stands between the scheme and the intending borrower	16.816	121	.000	1.7541	1.5476	1.9606

COLLATERAL

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that the biggest attraction of the scheme is that it is collateral free	122	1.0000	.00000(a)	.00000
Do you feel primary security is only assets purchased out of bank loan	122	1.0000	.00000(a)	.00000
Do you rate margin as additional security	122	1.5574	.93640	.08478
Do you feel that any security obtained over and above primary security is collateral security	122	1.5902	.96855	.08769
Do you feel obtaining margin is as good as obtaining collateral security	122	1.5574	1.30510	.11816

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you rate margin as additional security	18.370	121	.000	1.5574	1.3895	1.7252
Do you feel that any security obtained over and above primary security is collateral security	18.134	121	.000	1.5902	1.4166	1.7638
Do you feel obtaining margin is as good as obtaining collateral security	13.180	121	.000	1.5574	1.3235	1.7913

EXTEND OF COVER:

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that graded cover is helpful for the growth of the scheme	122	4.0164	.70399	.06374
Credit facilities upto 5 lakhs to micro enterprises is eligible for the highest cover (85%). Do you feel this will promote lending to micro enterprises upto 5lakhs	122	2.2541	1.00873	.09133
Do you feel the recent recommendation of RBI working group making 85% cover for micro enterprises upto 10 lakh would promote lending upto 10 lakh to micro enterprises	122	1.1066	.47772	.04325
For credit facility from 50 to 100 lacs the maximum cover eligible for general category of borrower is Rs. 62.5 lakh. Do you feel this will limit lending beyond 50 lakhs	122	1.6885	1.24703	.11290
Do you feel that the fear of shouldering the uncovered portion of the credit by banks makes the scheme less popular amongst bankers	122	1.0902	.36373	.03293

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that graded cover is helpful for the growth of the scheme	63.016	121	.000	4.0164	3.8902	4.1426
Credit facilities upto 5 lakhs to micro enterprises is eligible for the highest cover (85%). Do you feel this will promote lending to micro enterprises upto 5lakhs	24.682	121	.000	2.2541	2.0733	2.4349
Do you feel the recent recommendation of RBI working group making 85% cover for micro enterprises upto 10 lakh would promote lending upto 10 lakh to micro enterprises	25.584	121	.000	1.1066	1.0209	1.1922
For credit facility from 50 to 100 lacs the maximum cover eligible for general category of borrower is Rs. 62.5 lakh. Do you feel this will limit lending beyond 50 lakhs	14.956	121	.000	1.6885	1.4650	1.9120
Do you feel that the fear of shouldering the uncovered portion of the credit by banks makes the scheme less popular amongst bankers	33.105	121	.000	1.0902	1.0250	1.1554

ANALYSIS OF DIVERGENCE IN GUIDELINES:

Group Statistics

	Officers	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that making mandatory limit of Rs. 10 lakhs fixed by RBI has reduced the coverage of the scheme	Bank officers	61	2.7213	1.34327	.17199
	Credit officers	61	1.0000	.00000	.00000
When CGT scheme stipulates upper cap at 100 lacs, RBI working group has made it 10 lakh as a mandatory limit. Do you feel that this will adversely impact the growth of the scheme	Bank officers	61	1.9508	1.00708	.12894
	Credit officers	61	1.0000	.00000	.00000
When divergent guidelines as to the upper cap by CGT and RBI is there, as a banker do you feel that you will abide by what the regulator says	Bank officers	61	1.0000	.00000	.00000
	Credit officers	61	1.1475	.35759	.04578
Do you feel lower limits fixed by RBI (Rs. 5 lakh which is now raised to 10 lakh) is responsible for the slow growth of CGTMSE	Bank officers	61	1.5410	.50245	.06433
	Credit officers	61	1.8361	1.15730	.14818
Do you feel that uniform guidelines by CGT & RBI are necessary for the growth of the scheme	Bank officers	61	1.0000	.00000	.00000
	Credit officers	61	1.7377	.79376	.10163

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Do you feel that making mandatory limit of Rs. 10 lakhs fixed by RBI has reduced the coverage of the scheme	Equal variances assumed	200.111	.000	10.008	120	.000	1.7213	.17199	1.38079	2.06184
	Equal variances not assumed			10.008	60.000	.000	1.7213	.17199	1.37728	2.06534
When CGT scheme stipulates upper cap at 100 lacs, RBI working group has made it 10 lakh as a mandatory limit. Do you feel that this will adversely impact the growth of the scheme	Equal variances assumed	115.726	.000	7.374	120	.000	.9508	.12894	.69552	1.20612
	Equal variances not assumed			7.374	60.000	.000	.9508	.12894	.69289	1.20874
When divergent guidelines as to the upper cap by CGT and RBI is there, as a banker do you feel that you will abide by what the regulator says	Equal variances assumed	60.746	.000	-3.223	120	.002	-.1475	.04578	-.23819	-.05689
	Equal variances not assumed			-3.223	60.000	.002	-.1475	.04578	-.23912	-.05596
Do you feel lower limits fixed by RBI (Rs. 5 lakh which is now raised to 10 lakh) is responsible for the slow growth of CGTMSE	Equal variances assumed	55.360	.000	-1.827	120	.070	-.2951	.16154	-.61492	.02476
	Equal variances not assumed			-1.827	81.843	.071	-.2951	.16154	-.61645	.02628
Do you feel that uniform guidelines by CGT & RBI are necessary for the growth of the scheme	Equal variances assumed	105.808	.000	-7.259	120	.000	-.7377	.10163	-.93893	-.53648
	Equal variances not assumed			-7.259	60.000	.000	-.7377	.10163	-.94100	-.53441

Group Statistics

	Officers	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that non stipulation of sub target for MSE lending is not helpful for the growth of CGTMSE lending	Bank officers	61	1.0164	.12804	.01639
	Credit officers	61	1.9508	.69345	.08879
When sub-limits are fixed for agriculture, weaker sections & DRI, do you feel, non stipulations of limit for MSE shows the low priority RBI is bestowing to MSE vis-à-vis with Agriculture etc	Bank officers	61	1.0164	.12804	.01639
	Credit officers	61	1.9180	.61360	.07856
Do you feel that when no sub limit is fixed for MSE under priority sector lending, fixing sublimit for micro & small within MSE do not achieve the desired objective	Bank officers	61	1.0164	.12804	.01639
	Credit officers	61	1.8852	.58018	.07428
Do you feel that when RBI has fixed sublimit for MSE lending at 10% of ANBC (Aggregate Net Bank Credit) for foreign banks, leaving it open without sub limit for Indian Banks has reduced the importance of the CGTMSE segment	Bank officers	61	1.6393	.48418	.06199
	Credit officers	61	1.3115	.67184	.08602
Do you feel that RBI should come up with stipulating a fixed sub target for CGTMSE lending , to make aggressive lending under CGTMSE	Bank officers	61	1.7213	.45207	.05788
	Credit officers	61	1.5574	.94029	.12039

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Do you feel that non stipulation of sub target for MSE lending is not helpful for the growth of CGTMSE lending	Equal variances assumed	32.938	.000	-10.349	120	.000	-.9344	.09029	-1.11319	-.75566
	Equal variances not assumed			-10.349	64.086	.000	-.9344	.09029	-1.11479	-.75406
When sub-limits are fixed for agriculture, weaker sections & DRI, do you feel, non stipulations of limit for MSE shows the low priority RBI is bestowing to MSE vis-à-vis with Agriculture etc	Equal variances assumed	43.715	.000	-11.235	120	.000	-.9016	.08026	-1.06054	-.74274
	Equal variances not assumed			-11.235	65.215	.000	-.9016	.08026	-1.06191	-.74137
Do you feel that when no sub limit is fixed for MSE under priority sector lending, fixing sublimit for micro & small within MSE do not achieve the desired objective	Equal variances assumed	46.374	.000	-11.421	120	.000	-.8689	.07607	-1.01947	-.71823
	Equal variances not assumed			-11.421	65.830	.000	-.8689	.07607	-1.02074	-.71696
Do you feel that when RBI has fixed sublimit for MSE lending at 10% of ANBC (Aggregate Net Bank Credit) for foreign banks, leaving it open without sub limit for Indian Banks has reduced the importance of the CGTMSE segment	Equal variances assumed	.437	.510	3.092	120	.002	.3279	.10603	.11794	.53780
	Equal variances not assumed			3.092	109.084	.003	.3279	.10603	.11772	.53802
Do you feel that RBI should come up with stipulating a fixed sub target for CGTMSE lending , to make aggressive lending under CGTMSE	Equal variances assumed	30.310	.000	1.227	120	.222	.1639	.13358	-.10055	.42842
	Equal variances not assumed			1.227	86.331	.223	.1639	.13358	-.10161	.42948

ANALYSIS OF DIVERGENCE IN GUIDELINES

T-Test

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel that making mandatory limit of Rs. 10 lakhs fixed by RBI has reduced the coverage of the scheme	122	1.8607	1.28124	.11600
When CGT scheme stipulates upper cap at 100 lacs, RBI working group has made it 10 lakh as a mandatory limit. Do you feel that this will adversely impact the growth of the scheme	122	1.4754	.85487	.07740
When divergent guidelines as to the upper cap by CGT and RBI is there, as a banker do you feel that you will abide by what the regulator says	122	1.0738	.26247	.02376
Do you feel lower limits fixed by RBI (Rs. 5 lakh which is now raised to 10 lakh) is responsible for the slow growth of CGTMSE	122	1.6885	.90071	.08155
Do you feel that uniform guidelines by CGT & RBI are necessary for the growth of the scheme	122	1.3689	.67052	.06071
Do you feel that non stipulation of sub target for MSE lending is not helpful for the growth of CGTMSE lending	122	1.4836	.68313	.06185
When sub-limits are fixed for agriculture, weaker sections & DRI, do you feel, non stipulations of limit for MSE shows the low priority RBI is bestowing to MSE vis-à-vis with Agriculture etc	122	1.4672	.63225	.05724
Do you feel that when no sub limit is fixed for MSE under priority sector lending, fixing sublimit for micro & small within MSE do not achieve the desired objective	122	1.4508	.60443	.05472
Do you feel that when RBI has fixed sublimit for MSE lending at 10% of ANBC (Aggregate Net Bank Credit) for foreign banks, leaving it open without sub limit for Indian Banks has reduced the importance of the CGTMSE segment	122	1.4754	.60594	.05486
Do you feel that RBI should come up with stipulating a fixed sub target for CGTMSE lending , to make aggressive lending under CGTMSE	122	1.6393	.73928	.06693

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel that making mandatory limit of Rs. 10 lakhs fixed by RBI has reduced the coverage of the scheme	16.040	121	.000	1.8607	1.6310	2.0903
When CGT scheme stipulates upper cap at 100 lacs, RBI working group has made it 10 lakh as a mandatory limit. Do you feel that this will adversely impact the growth of the scheme	19.063	121	.000	1.4754	1.3222	1.6286
When divergent guidelines as to the upper cap by CGT and RBI is there, as a banker do you feel that you will abide by what the regulator says	45.186	121	.000	1.0738	1.0267	1.1208
Do you feel lower limits fixed by RBI (Rs. 5 lakh which is now raised to 10 lakh) is responsible for the slow growth of CGTMSE	20.706	121	.000	1.6885	1.5271	1.8500
Do you feel that uniform guidelines by CGT & RBI are necessary for the growth of the scheme	22.549	121	.000	1.3689	1.2487	1.4890
Do you feel that non stipulation of sub target for MSE lending is not helpful for the growth of CGTMSE lending	23.988	121	.000	1.4836	1.3612	1.6061
When sub-limits are fixed for agriculture, weaker sections & DRI, do you feel, non stipulations of limit for MSE shows the low priority RBI is bestowing to MSE vis-à-vis with Agriculture etc	25.632	121	.000	1.4672	1.3539	1.5805
Do you feel that when no sub limit is fixed for MSE under priority sector lending, fixing sublimit for micro & small within MSE do not achieve the desired objective	26.513	121	.000	1.4508	1.3425	1.5592
Do you feel that when RBI has fixed sublimit for MSE lending at 10% of ANBC (Aggregate Net Bank Credit) for foreign banks, leaving it open without sub limit for Indian Banks has reduced the importance of the CGTMSE segment	26.895	121	.000	1.4754	1.3668	1.5840
Do you feel that RBI should come up with stipulating a fixed sub target for CGTMSE lending , to make aggressive lending under CGTMSE	24.493	121	.000	1.6393	1.5068	1.7719

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