



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A STUDY ON CREDIT FACILITIES PROVIDED BY COMMERCIAL BANKS TO SMALL ENTREPRENEURS WITH SPECIAL REFERENCE TO TIRUPUR DISTRICT

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ABSTRACT

Small entrepreneurs play a vital role in the economic development of India by contributing to employment generation, industrial output, and exports through Micro, Small, and Medium Enterprises (MSMEs). Commercial banks act as the primary source of institutional finance for these enterprises by providing various credit facilities such as term loans, working capital, and overdraft facilities. The present study examines the role of commercial banks in financing small entrepreneurs in Tirupur district, a major textile hub in Tamil Nadu. The study is based on primary data collected from 50 respondents using a structured questionnaire. It analyses the awareness level, utilization of credit facilities, satisfaction with banking services, and challenges faced in accessing bank finance. The study concludes by suggesting improvements in banking procedures, awareness programs, and policy support to enhance credit accessibility and support MSME growth.

KEYWORDS

Credit Facilities - Commercial Banks - Small Entrepreneurs - Small Business Finance

INTRODUCTION

Small entrepreneurs form the backbone of India's economy, driving innovation, employment, and growth through Micro, Small, and Medium Enterprises (MSMEs). Commercial banks play a crucial role in providing credit facilities that enable these businesses to start, operate, and expand, particularly in industrial hubs like Tirupur, Tamil Nadu, known for its textile and knitwear sector. Over the years, government initiatives and banking reforms have improved access to finance. However, challenges such as strict lending norms, lack of awareness, and procedural delays continue to affect small entrepreneurs. This study focuses on understanding how effectively commercial banks support MSMEs in Tirupur district by analysing their credit access, usage, satisfaction, and associated challenges.

OBJECTIVES OF THE STUDY

- To examine the role of commercial banks in financing small entrepreneurs.
- To analyze the various types of credit facilities available to small entrepreneurs.
- To study the trends in MSME credit growth at the national, state, and district levels.

STATEMENT OF THE PROBLEM

Despite policy initiatives and government support, small entrepreneurs in Tirupur district continue to face difficulties in accessing bank credit. Stringent collateral requirements, complex documentation procedures, and high loan rejection rates create barriers for entrepreneurs seeking financial assistance. Many small entrepreneurs rely on informal sources of finance due to delays or rejection from formal banking institutions, which increases their financial burden. Additionally, limited awareness about government schemes and lack of financial literacy further restrict access to credit. This study attempts to analyse these issues and understand the gap between credit availability and accessibility.

SCOPE OF THE STUDY

The study focuses on credit facilities provided by commercial banks to small entrepreneurs in Tirupur district, particularly those engaged in textile and knitwear industries. It covers various types of credit facilities such as term loans, working capital loans, and scheme-based financing. The study is based on primary data collected from 50 respondents and examines aspects such as awareness, satisfaction, utilization of credit, and challenges faced by entrepreneurs. The scope is limited to the period between 2020 and 2026 and excludes non-banking financial institutions and large enterprises.

LIMITATIONS OF THE STUDY

- The study is limited to Tirupur district and may not represent other regions.
- The sample size is restricted to 50 respondents due to time constraints.
- The data is based on respondents' opinions, which may include bias.
- The study focuses only on selected aspects of bank finance and does not cover all financial sources.

RESEARCH METHODOLOGY

The study employs a descriptive research design to examine the credit facilities utilized by small entrepreneurs and their satisfaction with banking services. Conducted in Tirupur district, a prominent textile hub in Tamil Nadu with a high concentration of MSMEs, the research uses both primary data, collected via a structured questionnaire, and secondary data from books, journals, RBI reports, and online sources. A convenience sampling method was applied to select 50 small entrepreneurs as respondents. Data analysis was performed using percentage analysis and multiple response analysis.

ANALYSIS AND INTERPRETATION

1. Type of Enterprise of Respondents

Types	Respondents	
	Nos	%
Micro	17	34
Small	18	36
Medium	15	30
Total	50	100

2. Annual Turnover of Respondent

Turnover	Respondents	
	Nos	%
Less than 1 crore	41	82
1-5crore	5	10
5-10crore	3	6
More than 10 crore	1	2
Total	50	100

3. Bank Account Holding

Bank Account	Respondents	
	Nos	%
Yes	50	100
No	0	0
Total	50	100

4. Credit Facilities Availed

Credit Facilities	Respondents	
	Nos	%
Yes	50	100
No	0	0
Total	50	100

5. Awareness of Loan Schemes

Awareness	Respondents	
	Nos	%
Yes	41	82
No	9	18
Total	50	100

6. Affordability of Interest Rate

Affordability	Respondents	
	Nos	%
Fully Affordable	8	16
Somewhat Affordable	22	44
Moderate	14	28
Too High	6	12
Total	50	100

7. Satisfaction with Credit Facilities

Rating	Respondents	
	Nos	%
Very Dissatisfied	0	0
Dissatisfied	1	2
Neutral	14	28
Satisfied	19	38
Very Satisfied	16	32
Total	50	100

8. Loan Rejection

Loan Rejection	Respondents	
	Nos	%
Yes	28	56
No	22	44
Total	50	100

9. Encouragement of MSME Growth

Encouragement	Respondents	
	Nos	%
Strongly Agree	6	12
Agree	15	30
Neutral	25	50
Disagree	3	6
Strongly Disagree	1	2
Total	50	100

10. Awareness of Government Schemes

Awareness	Respondents	
	Nos	%
Yes	36	72
No	14	28
Total	50	100

11. Availing Government Schemes

Government Scheme	Respondents	
	Nos	%
Yes	33	66
No	17	34
Total	50	100

FINDINGS:

- Majority (36%) of the respondents belong to small enterprises.
- The table indicates that majority (82%) of respondents have an annual turnover of less than 1 crore, showing dominance of small-scale businesses.
- All respondents have accounts with commercial banks, indicating full financial inclusion among the sample.

- All respondents have availed credit facilities from commercial banks, showing complete dependence on bank finance.
- Majority (82%) of respondents are aware of loan schemes offered by banks.
- Majority (44%) feel that interest rates are somewhat affordable.
- Majority (38%) of respondents are satisfied with credit facilities.
- More than half (56%) of respondents have faced loan rejection, indicating a major issue.
- Majority (50%) have a neutral opinion on bank support for MSME growth.
- 72% of respondents are aware of government schemes.
- Majority (66%) have availed government schemes.

Conclusion

The present study examined the role of commercial banks in providing credit facilities to small entrepreneurs in Tirupur district, with a focus on access, awareness, utilization, and challenges associated with MSME financing. The study highlights that a majority of respondents belong to small enterprises with relatively low annual turnover, indicating their dependence on external finance for sustaining operations and growth. Credit facilities such as cash credit and term loans are widely utilized, particularly for working capital requirements, which emerged as the primary purpose for availing loans. Public sector banks continue to dominate as the preferred banking partners due to their accessibility and trust among entrepreneurs. Overall, the study concludes that while commercial banks have made significant contributions to MSME financing, there is substantial scope for improvement in terms of simplifying procedures, reducing costs, improving responsiveness, and enhancing customer support.

Policy Implications and Suggestions

- Commercial banks should design customized loan products tailored to the needs of small enterprises, particularly those with low turnover and seasonal income patterns.
- There is a need to simplify loan procedures and documentation requirements to make credit more accessible, especially for first-time borrowers.
- Banks should focus on reducing loan processing time, as delays negatively affect business operations.
- Awareness programs and financial literacy initiatives should be conducted to improve understanding of government schemes and credit facilities.

References

- Reserve Bank of India (RBI) Reports on MSME Credit
- Ministry of Micro, Small and Medium Enterprises (MSME), Government of India
- Pradhan Mantri Mudra Yojana (PMMY) Reports
- Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Publications
- Government publications on MSME policies and schemes
- Books and academic journals related to banking and MSME finance
- Various reliable online sources and reports

