

CHAPTER-VIII

**Observations, Findings,
Recommendations, and Conclusions**

8.0: Introduction

An elaborate analytical study has been undertaken over the prospects of utilization of funds obtained from public sector banks as a loan for investment in the Micro, Small and Medium industries. The entrepreneurs of such sectors require finance for investment for different purposes like a fund for investment in the new coming up sector, money for working capital or fixed capital, etc. The existing research work undertakes a field-based analysis with aid of primary data using the entrepreneurs as respondents. The collected data has been analysed using statistical techniques as shown in previous chapters in this work.

In this present chapter, on the basis of the result obtained from the statistical analysis as mentioned above, an effort is made for making an in-depth observation of the situation consisting the outcome of data and the corresponding effect upon different elements or dimensions of the research work as stated earlier.

From the above observations, necessary recommendations have also been made for all the parties involved in the situation like bank authorities, entrepreneurs and the necessary and responsible authorities of the Government sector.

Since the existing work is the outcome of exhaustive research work and out of this work much of information and observation being supported with field-based primary data and statistical and advanced software tools aided analysis has been obtained, it is considered that in keeping with future trend of work in this sector there is scope of further utilization of the information obtained in this research work. Accordingly, herewith the scope of further work is being mentioned in this part of this work.

Summarising all the works as mentioned above in this chapter, a conclusion has been made which supports the relevance and effectiveness and rationality of the work.

8.1: Observations

The following observations have been found in the present study:

1. There is a strong statistically significant association between:
 - The types of enterprises and the nature of ownership.
 - The types of enterprises and the number of employees.
 - The types of enterprise and the investment in plant and machinery or equipment.
 - The types of enterprise and financial turnover.
2. Public Sector Banks are playing a major role in credit creation for MSME Sector in India on an average 74.15 % of total credit during the period 2007-08 to 2014-15.
3. West Bengal witnesses substantially low annual average growth rate in registered MSMEs (1.67%) in comparison to India growth rate (13.78%) during 2007-08 to 2014-15. However, the same growth rate for East Medinipur (4.94%) is far below than the west Medinipur (10.90%).
4. West Bengal Experiences negative annual average growth rate in employment generation in MSME Sector (-2.46%) during 2007-08 to 2014-15 which is contrary to the Indian growth rate of 4.83%. Both the districts, East and West Medinipur also experience shrink in employment growth rate (-0.35% and -3.89% respectively).
5. In the field survey, it was observed that the majority of the entrepreneurs opined that the **Availability** of loans provided by public sector banks is significant for the improvement of business performance. This predictor accounts different factors related to the

availability of bank loan. The mean score obtained here is 3.8337 or score earned in accordance with respondents feedback is 76.67%.

6. It was observed that the majority of the entrepreneurs opined that the **Accessibility** of loan provided by public sector banks is significant for the improvement of utilization. The loan as desired by entrepreneurs is easily accessible for their purpose of entrepreneurship-related use. The mean score for this predictor is 3.8127 or 76.25%.
7. **Expected Reliance** accounts for the reliability of finance from public sector banks for funding is being used in MSMEs. The entrepreneurs, as is obtained from the study, find the Expected Reliance to be high and it is dependable. The mean score is 3.9036 or 78.07%.
8. The mean score under the predictor **Facilities** as obtained from feedback of respondents is high. It is 3.9232 or 78.46%. It is in accordance with the need and expectations of the respondents and the facilities are in accordance with the scope and ability of entrepreneurs.
9. **Terms & Conditions** are quite satisfactory and highly acceptable to entrepreneurs. The observation of respondents in accordance with their feedback justifies the existing terms and conditions to be well acceptable to entrepreneurs. The mean score is 3.9335 or 78.67%.
10. **Utilization** of fund available from public sector banks is reasonably satisfactory and utilisation of the fund thus obtained from public sector banks is quite high with non-use value being less. The mean average score is 3.9963 or 79.32%.

11. **Financial Performance** involving net profit, cash flow, and sales turn over, as observed from the analysis of respondents' feedback, is high and significantly in steady growth rate because of use of public sector bank finance. The average mean score is 4.1011 or 82.02%.
12. As per the respondents' feedback, the **Capital Formation** is up to the expectation. The entrepreneurs are capable to generate fund after doing business with the loan fund of PSBs. The overall perception on Capital formation using PSBs' loan is quite high. The average mean score is 4.0356 out of 5 i.e., 80.71 %.

8.2: Major Findings

1. There are strong positive significant correlations between Utility of PSBs' loan services with Financial Performance. Facilities and Expected Reliance are the two most significant factors of Utility of loan fund followed by Terms & Conditions, Accessibility, and Availability.
2. There are positive significant correlations between Utility of PSBs' loan services with Capital Formation. Expected Reliance is the highest significant influencing factor followed by Terms & Conditions, Facilities, Accessibility, and Availability.
3. There is a strong positive statistically significant relation between the invested Quantum of Loan amount and Financial Performance.
4. The utility of Bank loan fund significantly influences fund Utilization which positively influences Financial Performance of the MSME organization. Financial performance ultimately turns into the Capital Formation.

5. The Utilization of loan fund generating an additional effect on the relation between Utility of loan fund and Financial Performance.
6. The Utilization of loan fund generating an additional effect on the relation between Utility of loan fund and Financial Performance.
7. Three factors, namely, Availability, Facilities, and Terms and Condition have no statistically significant direct relations to Capital Formation but these have indirect relation with it.

8.3: Recommendations

Although, the loan services providing by the Public Sector Banks to the MSMEs for the better performance in their enterprises is satisfactory in East and West Medinipur, the two districts of West Bengal, yet there are possibilities for more improvement. The following suggestions for the entrepreneurs, bankers and the Government of State as well as Central may be considered for better improvement.

8.3.1: To the Entrepreneurs of MSMEs

1. The entrepreneurs should be more skilled regarding the strategy of utilization of capital of both banking loan fund as well as their own fund.
2. Regular study over the scopes and prospects along with limitations and threats over business prospects and prospects of financial need and also of growth of MSMEs are required to be taken for study by the entrepreneurs.

3. The related areas like availability, accessibility, terms, and conditions are quite high in respect of available mean score or percentage of score. The elements of the predictors require further analyse by the entrepreneurs.

8.3.2: To the Public Sector Banks Authorities

1. The manager and the credit officers of the bank branches have special function to get the customer service in bank further improved. They should be wholehearted and courageous and supportive to causes of entrepreneurs. They should look for more sincere, helpful and well-managed service to all the entrepreneurs who seek bank service.
2. As MSMEs plays a significant role to develop socially and economically in a country. The bank authority should open more specialized bank branches for MSMEs.
3. A special motive can be taken by the banker authorities to monitor the utilization process after disbursement of loan to the MSMEs.

8.3.3: To the Governments - State as well as Central

1. It is observed that those who are much careful about the utilization of banks' loan fund including own fund in their business are found to have better performance. Therefore, a special motive i.e., training on utilization can be taken by the Government with the help of different incubation centre.
2. The Government should see that the fund utility factor is highest and most feasible. They should look for more and more schemes and means towards this end.

3. The Government should regularly look for and explore the means which can create the environment of industrialization much developed and improved with the use of PSB fund.
4. The government should always be on the continuous search for newer and better schemes which are friendly and helping to entrepreneurs so that a more prospective industrial situation is developed in the country.

8.4: Scope for Future Research Work

In this study, elaborated research work has been undertaken over the prospects of PSB fund being used in growth and development of MSMEs in two districts – Medinipore, East and Medinipore West in the state of West Bengal. The work has been done to explore the scope of few predictors in this area of utilization of PSBs' fund in the growth of MSMEs. The predictors have been selected very carefully and judiciously with respect to their utility and rationality in respect of utilization of PSB Fund in MSMEs.

The predictors taken into consideration in this work are i) Availability, ii) Acceptability, iii) Expected Reliance, iv) Facility, v) Terms & Conditions and vi) Utilization of Loan vii) Financial Performance, and viii) Capital Formation. Upon each predictor, several related questions had been framed and on the basis of the questionnaire thus framed, extensive feedback had been taken from the respondents. The respondents are none but entrepreneurs of the MSME sectors of these two districts.

Thus, the work has been done on the basis of primary data collected from the source or field itself and accordingly nearly 10,413 data has been generated. These data are original and

unique in nature. These data have also been processed by using different statistical methods and software techniques as has been observed in the chapter of research methodology and data analysis for achieving objective oriented data necessary for this research work which are also unique and original in nature.

By using suitable DBMS Scheme these data may be retrieved, processed for some other individual study and used for some other research work in the allied area and area of industrial enterprises worked with purpose of exploration of growth and development or area of use of fund from any other source including retained earnings or even utilization of fund overgrowth and prospects of development of such sectors.

This study, it is believed, has advanced the study and work in this concerned area and also created a vast resource for further research work but creating a data store as mentioned above. Research work, further taken up in the related area and is in need of such data may use these data as generated in this work and also processes, methodologies, and techniques. In brief, this work may be considered to be few steps advancement in research work involving fund utilization in industrial enterprises and may be utilized as a foundation in this area for further research work.

8.5: Conclusions

In a developing country like India and especially in districts of its states including West Bengal the fund is very scarce and in most of the situations, Public Sector Banks come forward with their different schemes of fund assistance being under the motivation and inspiration of different Government schemes including state and central Government.

In fact development of a country, especially a country in the stage of moving from underdeveloped to developed one through the intermediary stage of developing phase requires progress through growth and development in several key sectors. Industrial development is such a key sector and it requires very strict observation and monitoring in the growth of such sector. In such stage of growth and development, scarcity becomes constrain in several areas like suitable manpower and fund.

There must be wise and judicious use of this fund so that there be real growth in the industrial sectors under these schemes. However, since fund assistance of such nature are mostly covered in areas of MSMEs, there come up tremendous prospect of growth in such sectors which ultimately provides a strong impact to industrial growth of country and thereby from such growth, there is incorporation of growth in economy in concerned geographical area and accordingly there is economic growth in the whole country.

Utilization of Loan is playing a mediating responsibility in Financial Performance as well as in Capital Formation. Entrepreneurs have sufficient reason for the emphasis on Utilization of Loan for the growth and performance of their enterprise. Access of loan fund is playing a significant role in fund utilization, financial performance, and formulation of capital formation in the MSME Sector. This is utmost important for the government and Public Sector Banks to ensure strong access to loan fund to enhance the growth of MSME Sector.

There exist a strong inter-chain relationship among the Utilization of Loan, Financial Performance and Capital Formation. If the MSME Sector is strongly supportive by financial

assistance in terms of availability and accessibility of loan funds, MSMEs envisages a promising sector in the region under the study.

Thus it is observed that successful and effective utilization of Public Sector Bank finance towards the development of MSMEs is a blessing in the economic and social development of the country. There must be an all-out effort towards the growth and development of such ventures. To make such schemes fruitful and effective there must be constant endeavor from the financial institutes, especially financial institutes belonging to public sectors including public sector banks and other alike financial institutes.

In this respect, the government has got a very significant role to play. As discussed earlier in this research work different responsible government institutes must come forward with target oriented responsibilities towards monitoring the target-oriented growth in such sector. They must take up the regulatory role and patronizing role in respect of growth and development of the MSMEs. The government must be strongly vigil and should work for hand in gloves with the fund assisting financial institutes to see the effectiveness of fund allocation, utilization of allocated fund and reliability of such fund and capital formation scenario thereof of the industries in particular and the society in general. These elements have been very adequately taken care through monitoring of the predictors of the research work as noted earlier in this work.