

PERFORMANCE OF LEAD BANK AND ITS' CREDIT PLAN TO MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN TIRUNELVELI DISTRICT

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Abstract

This study is focus on the performance of the small scale sector (Now it is called Micro, Small and Medium Enterprises (MSMEs) in the spheres of production, employment, and exports has been impressive. In order to solve the unemployment problem and to have an equitable growth of MSMEs in developed and backward areas, the District Industries Centre was formed in Tirunelveli District. Many programmes have been launched in order to encourage self-employment through the District Industries Centre. Yet, there is always the question whether the financial assistance provided by the banks to MSMEs is enough to meet the ever-increasing demand for finance from the units. Hence, the present study is an attempt to analyse the adequacy of the financial assistance provided under lead bank scheme by the Indian Overseas Bank to Micro, Small and Medium Enterprises and its impact on the growth of enterprises in Tirunelveli District.

Introduction

For a small-scale industry (Now it is called Micro, Small and Medium Enterprise (MSME) the need for finance is very essential due to its limited resources. The sources of finance for Micro, Small and Medium Enterprises (MSMEs) are of two types - internal and external. Internal sources consist of initial capital and profits reinvested. External sources consist of loans and other assistance from institutional and non-institutional sources. This chapter is an attempt to study the following aspects in detail: Performance of Lead Bank (Indian Overseas Bank), Overall Deposit and Advances of Indian Overseas Bank in Tirunelveli district and Target and Achievement of annual credit plan of Indian Overseas Bank (Lead Bank) to MSMEs in Tirunelveli District

Performance of Indian Overseas Bank (Lead Bank)

Indian Overseas Bank (IOB) is a major bank based in Chennai (Madras), with about 3350 domestic branches, including 1150 branches in Tamil Nadu, three extension counters, and eight branches and offices overseas as of 30 September 2014. Indian Overseas Bank has an ISO certified in-house Information Technology department, which has developed the software that its branches use to provide online banking to customers; the bank has

achieved 100% networking status as well as 100% CBS status for its branches. IOB also has a network of about 3300 ATMs all over India. IOB has branches in Singapore, Hong Kong, Colombo, Seoul, and Bangkok. It has representative offices in Guangzhou, Vietnam, and Dubai. IOB also is part-owner of a joint-venture bank in Malaysia. The net profit for the quarter ended 30 June 2014 stood at Rs.272 Crores. The Business touched Rs.4,20,739 Crores for the quarter ended 30 September 2014. Deposits stood at Rs.2,39,223 Crores, CASA stood at 23.76%, Advances stood at Rs.1,81,515 Crores Operating Profit for 2014-15 is Rs.729 Crores.

- a) IOB adjudged Best Public Sector Bank in Priority Sector Lending by Dun & Bradstreet.
- b) The New Indian Express and Sunday Standard's Best Bankers' Award presented to IOB
- c) Agriculture Leadership Award 2013 conferred to our Bank
- d) Award for "BEST RSETI IN THE COUNTRY received by RSETI Thanjavur
- e) IBA Technology Award 2012-2013 for Best use of Business Intelligence awarded to IOB
- f) Best bank Award from Govt of Tamil Nadu for its support to Self Help Group (SHGs) in the State.
- g) The Bank received the National Award for Effective Implementation of PMEGP 2012-13 (South Zone)
- h) The Bank awarded Customer Focus Award for constantly delivering industry leading service standards.
- i) The Bank received "Banking Excellence Award " from Finance Ministry, GOI
- j) 2012-13 Received National award for excellence in MSME Lending and for outstanding performance for implementing PMEGP programme in South Zone.
- k) 2012-13 Received Bankers' Excellence Award from Rotary International, USA
- l) 2013-14 3000th Branch (at Vaniangudi), opened on 17.8.2013 by Hon. Finance Minister.
- m) 2014-15 SKOCH AWARDS -IOB Wins order of Merit in FI and ADF/MIS for the implementation of "IOB-SAMPOORNA" project under Finance Inclusion and Implementation of Automated Data Flow/MIS.

The Indian economy has been through challenging times for the past two years, faced with the twin problem of prolonged high inflation and low growth. The consequence of this resulted in decline of GDP growth from 6.7 percent in 2011-12 to 4.5 percent in 2012-13. The GDP growth for 2013-14 is projected at 5.3 per cent. Bank had operated in an environment of subdued growth caused by slump in general economic conditions throughout the year. Agriculture sector performed well due to satisfactory monsoon and the absence of extreme climatic conditions. The concrete steps taken by the Government to revive industrial activities, improve the flow of credit to agricultural sector, contain rupee

volatility and inflation are expected to put the economy on recovery path and improve the business climate and boost consumer confidence.

General Performance Highlights of Indian Overseas Bank: 2013-14: The performance details of the Bank during the year under review are as under: Net Profit of the Bank for the year ended 31.03.2014 stood at Rs. 601.74 crore against Rs. 567.23 Crore for the year ended 31.03.2013. Net investments of the Bank increased to Rs.70,237 crore as on 31.03.2014 from Rs.61,417 crore as on 31.03.2013.

Branch Expansion

The domestic branch net work of the Bank crossed the milestone mark of 3000 on 17.08.2013. As on 31.03.2014, the Bank had 3265 domestic branches, as against 2902 branches as on 31.03.2013, comprising of 985 rural branches (30.17 per cent to total branches), 904 Semi Urban branches (27.68 per cent), 728 Urban branches (22.30 per cent) and 648 Metropolitan branches (19.85 per cent). Apart from 3265 branches, as on 31.03.2014, the Bank had 59 Regional Offices, 3 Extension Counters, 20 Satellite Offices, 39 City Back Offices, 33 Rapid Retail entres (RLPCs), 18 MSME Processing Centres and 6 Inspectorates. Rapid branch expansion continues to be one of the major strategic initiatives taken by the Bank for augmenting its pan India branch net work and organic growth. During the year, the Bank opened 363 branches across the country. Out of 363 branches opened during 2013-14, 232 branches (63.91 per cent) are located in Rural and Semi Urban centres, of which 98 branches are located in Unbanked Rural Centres. These new branches have enabled the Bank to enhance new relationships and spread our presence and net work farther and wider. As on 31.03.2014, the Bank has branch network in all the States in India. The average CASA in the new branches is about 45 per cent. As at the end of the year, the Bank had 222 branch licenses in hand. These would be utilized during the course of the current year, which would take our domestic branch network beyond 3500. In order to decentralize the decision making process, reduce the turnaround time for credit delivery and increase efficiency in transaction handling, the Bank opened 19 Rapid Retail Centres, 9 MSME Processing Centres and 8 City Back Offices during the year.

Other Highlights

- The percentage of priority sector advances to Adjusted Net Bank Credit stood at 40.03 per cent as against RBI norms of minimum 40 per cent.
- The agricultural credit portfolio of the Bank registered a growth of ` 2,861 crore (12.23 per cent) from ` 23,393 crore to ` 26,254 crore in the year under review. The Bank's ratio of agricultural advances to Adjusted Net Bank Credit stood at 18.10 per cent and exceeded the 18 per cent norm. The Bank took a number of initiatives to increase the flow of credit to the agricultural sector.

- The total exposure of the Bank as on March 31, 2014 to SME sector stood at ` 24,575 crore as against ` 19,976 crore as on 31.03.2013 registering a growth of 23.02 per cent.
- Business per employee increased from ` 12.88 crore as on 31.03.2013 to ` 13.67 crore as on 31.03.2014.
- Gross NPA stood at ` 9020.48 crore as on 31.03.2014 as against ` 6607.96 crore as on 31.03.2013 and in percentage terms, the Gross NPA ratio was 4.98 per cent as on 31.03.2014 as against 4.02 per cent as on 31.03.2013.
- Net NPA stood at ` 5,658.12 crore as on 31.03.2014 as against ` 4027.21 crore as on 31.03.2013. In percentage terms, the Net NPA ratio was 3.20 per cent and 2.50 per cent respectively.
- A final dividend of 5 per cent has been recommended by the Board of Directors for the year 2013-14 in addition to interim dividend of 7 per cent paid during Feb 2014.
- Provision Coverage Ratio stood at 54.94 per cent as on 31.03.2014

Capital Adequacy Ratio: The Bank's Capital Adequacy Ratio as on 31.3.2014 stood at 10.78 per cent as per Basel III norms which is well above the requirement of 9 per cent prescribed by RBI.

Para banking: In the area of Para-banking, Bank is concentrating on marketing of insurance products and IT enabled products. The Bank continues with its Corporate Agency arrangement entered into with Universal Sompo General Insurance Company Limited (the Non-Life Insurance Joint Venture Company) for distribution of non-life insurance products.

Overseas Operations: As regards our overseas operations, we have seven fullfledged overseas branches - two in Hong Kong and Sri Lanka and one each in Singapore, South Korea and Bangkok. We also have remittance Centers operating at Boon Lay and Serangoon, Singapore. During August 2013, bank has upgraded the Extension Counter at Sri Lanka into a branch with due regulatory approvals increasing the number of branches at Sri Lanka to two. The Bank's Representative Offices are located in Guangzhou (China), Ho Chi Minh City (Vietnam) and Al Karama, (Dubai). Bank is taking up for/awaiting RBI permission for upgrading its representative office at Dubai, Vietnam and China into full fledged branches. Ministry of Finance, Government of India has allocated the following overseas centres for opening of overseas JV/WOS by the Bank.: Thailand, Vietnam, Mongolia, Srilanka and Republic of Korea. The Bank has signed a joint venture agreement with Bank of Baroda and Andhra Bank to open a Banking subsidiary in Malaysia. The Joint venture has been duly incorporated at Malaysia on 13.08.2010 by name "India International Bank (Malaysia) Ltd." BHD and the banking Joint Venture has started functioning from July 2012. During February 2013, Bank has obtained RBI permission for opening a branch at Sukhumvit, Thailand. This branch is expected to commence operations before August 2014. FCBU in Colombo has commenced operations from January 2014.

Advances to Micro, Small and Medium Enterprise (MSME's): The Bank's MSME advances increased to ` 28,978 crores as of March 2014. The share of MSME credit on gross domestic credit increased from 16.02 per cent in 2012-13 to 17.56 per cent in 2013-14. This includes advances to Micro and Small Enterprises (MSE) to the tune of ` 24,575 crores. Priority sector credit under MSME sector as on 31st March 2014 stood at ` 23,488 crores. The Bank increased advances to MSE sector by 23.02 per cent surpassing the mandatory requirement of 20 per cent. Credit to Micro sector alone surpassed ` 10,000 crores during the year reflecting a growth of 27.16 per cent. The Bank financed 1,39,894 new micro sector accounts during the year. The number of Micro sector accounts increased by 43.94 per cent during the year, as against the mandatory requirement of 10 per cent. During the year, 16,365 new loan accounts aggregating to ` 879 crores were covered under the Credit Guarantee Scheme of CGTMSE

Lead Bank Scheme: The Indian Overseas Bank has Lead Bank responsibility in 13 districts in Tamil Nadu and one district in Kerala.

Research Methodology

Designing of a suitable methodology and selection of analytical tools are important for a meaningful analysis of any research problem.

Collection of Data

The secondary data have been used for the present study.

Period of Study

For secondary data analysis relating to the number of branches, deposits, advances of Indian Overseas Bank (Lead Bank) and the like in Tirunelveli district, the data were collected from 2003-04 to 2012-13 for the period of 10 years. The secondary data for this study has been collected for the period of ten years from 2003-04 to 2012-13 from various published and unpublished sources:

1. Annual Report of Lead Bank (Indian Overseas Bank), Tirunelveli from 2003-04 to 2012-13.
2. Annual Reports of Indian Overseas Bank, Chennai.
3. Annual Reports, Lead Bank Sectors of the Indian Overseas Bank, Chennai.
4. Office Reports of the District Industrial Centre, Tirunelveli.
5. Development of Commissioners (MSMEs) New Delhi.
6. Report on the Small Industries Development Bank of India (SIDBI)
7. Annual report of the Tamilnadu Industrial Investment Corporation, Chennai.
8. Relevant Journals, Magazines and Websites.

Tools of Analysis

In order to examine the growth in the deposits, advances, target and achievements of annual credit plan of lead bank and its stability over the period under study, the Arithmetic Mean (\bar{X}) and Coefficient of Variation (C.V.) were computed. To analyse the trend and growth of performance variables, the following linear and semi-log tend equations have been fitted.

Analysis and Interpretation

a) Deposits and Advances of Indian Overseas Bank in Tirunelveli District

Table 1 shows the details of the deposits and advances of Indian Overseas Bank in Tirunelveli district.

Table 1: Deposits and Advances of Indian Overseas Bank (`in lakhs)

Year	Deposits	Percentage Growth	Advances	Percentage Growth
2003-04	283070	--	143515	--
2004-05	310379	9.65	196391	36.84
2005-06	346201	11.54	248111	26.34
2006-07	383800	10.86	295268	19.01
2007-08	468799	22.15	376774	27.60
2008-09	577963	23.29	430263	14.20
2009-10	619587	7.20	493513	14.70
2010-11	788390	27.24	583551	18.24
2011-12	796324	1.01	618467	5.98
2012-13	821468	3.16	645618	4.39

Source: Compiled from Annual Credit Plan for Tirunelveli District from 2003-04 to 2011-12, Published by the Lead Bank Section of Indian Overseas Bank, Tirunelveli.

Table 1 shows that the deposits of Indian Overseas Bank (Lead Bank of Tirunelveli district) have a steady increase during the period under study. It is found that the deposit collected by IOB was ` 283070 in the year 2003-04 and it was increased to ` 821468 lakhs in the year 2012-13. But fluctuation was observed in the percentage increase per annum. In the case of the advances, it has steadily increased from ` 143515 lakhs in 2003-04 to ` 645618 lakhs in 2012-13. The percentage increase over the previous year was observed fluctuations during the period under study. Table 2 shows the average and the stability of deposits and advances to by the Indian Overseas Bank in Tirunelveli district.

Table 2: Average and Stability of Deposit and Advances during 2003-04 to 2012-13

Sl. No.	Particular	Deposits	Advances
1.	Mean	539598.10	403147.10
2.	S.D.	210861.30	180471.04
3.	Coefficient of Variation (in percentage)	39.08	44.77

Source: Computed data.

From Table 2, it observed that the average deposits and advances in the Indian Overseas Bank in Tirunelveli district were Rs. 539598.10 lakhs and Rs.403147.10 lakhs respectively during the period 2003-04 to 2012-13. The analysis shows the high fluctuations in advances amount compared to deposits amount as indicated by the coefficient of variation.

The computed results of the trend and the growth rate of the deposit amount and advanced amount in the Indian Overseas Bank in Tirunelveli district are given in Table 3.

Table 3: Trend and Growth Rate of Deposit Amount and Advances

Sl. No.	Particulars	Trend Coefficient		\bar{R}^2	CGR (per cent)
		a	b		
1.	Deposits	163775.87	68331.32* (14.35)	0.96	14.225
2.	Advances	76517.67	59387.17* (32.79)	0.99	18.146

Source: Computed data; Figures in brackets are t-values; * Indicates that the trend coefficients are statistically significant at 5 per cent level.

It is clear from Table 4.3 that the trend coefficients of the deposit amount and advance amount were statistically significant at 5 per cent level and positive. It implies that on an average deposit and advances amount have been increasing at the rate of 68331 and 59387 per annum respectively. The compound growth rate was found high in the advance amount (18.146 per cent) followed by the deposit amount (14.225 per cent).

b) Targets of Annual Credit Plan of Indian Overseas Bank in Tirunelveli District

Table 4 presents the details of the total target amount and the target for Micro, Small and Medium Enterprises (MSMEs) in Tirunelveli district.

Table 4: Targets of Annual Credit Plan of Indian Overseas Bank (` in Crore)

Year	Total Targets	Percentage Growth	Targets for MSME	Percentage Growth
2003-04	379.83	--	53.90	--
2004-05	555.83	46.34	58.21	8.00
2005-06	778.80	40.11	66.97	15.05
2006-07	955.00	22.62	84.00	25.43
2007-08	1225.00	28.27	97.65	16.25
2008-09	1490.01	21.63	110.30	12.95
2009-10	1883.84	26.43	234.83	112.90
2010-11	2037.64	8.16	185.30	-21.09
2011-12	2381.76	16.89	224.04	20.91
2012-13	2596.15	9.00	297.14	32.63

Source: Compiled from Annual Credit Plan for Tirunelveli District from 2003-04 to 2011-12, Published by the Lead Bank Section of Indian Overseas Bank, Tirunelveli.

It is inferred from Table 4 that the total target and the target amount for MSMEs by Indian Overseas Bank (Lead Bank of Tirunelveli district) have a steady increase during the

period under study. It is found that the total target amount fixed by IOB was Rs.379.83 crores in the year 2003-04 and it was increased to Rs.2596.15 crores in the year 2012-13. But fluctuation was observed in the percentage increase per annum. In the case of the target amount for MSMEs, it has steadily increased from Rs.53.90 crores in 2003-04 to Rs.297.14 crores in 2012-13. The percentage increase over the previous year was observed fluctuations during the period under study. Table 5 shows the average and the stability of total target and target amount for MSMEs by the Indian Overseas Bank in Tirunelveli district.

Table 5: Average and Stability of Total Target and Target for MSMEs during 2003-04 to 2012-13

Sl.No.	Particular	Total Target	Target for MSMEs
1.	Mean	1428.39	141.23
2.	S.D.	774.83	86.94
3.	C.V. (per cent)	54.24	61.56

Source: Computed data.

It is observed from Table 5 that the average total target amount and target for MSMEs fixed by the Indian Overseas Bank in Tirunelveli district were 1428.39 crores and 141.23 crores respectively during the period 2003-04 to 2012-13. The analysis shows the high fluctuations in target for MSMEs compared to total target amount as indicated by the coefficient of variation. The computed results of the trend and the growth rate of the total target and the target for MSMEs fixed by the Indian Overseas Bank in Tirunelveli district are presented in Table 6.

Table 6: Trend and Growth Rate of Total Target and Target for MSMEs

Sl. No.	Particulars	Linear Trend Coefficient		\bar{R}^2	CGR (per cent)
		a	b		
1.	Total Target	25.91	254.99* (33.20)	0.99	23.276
2.	Target for MSMEs	-5.65	26.71* (7.159)	0.86	22.209

Source: Computed data; Figures in brackets are t-values; * Indicates that the trend coefficients are statistically significant at 5 per cent level.

Table 6 shows that the trend coefficients of the total target amount and target for MSMEs were statistically significant at 5 per cent level and positive. It implies that on an average total target and target for MSMEs have been increasing at the rate of 254.99 and 26.71 per annum respectively. The compound growth rate was found high in the total target amount (23.276 per cent) followed by the target for MSMEs (22.209 per cent).

c) Achievements of Annual Credit Plan of Indian Overseas Bank in Tirunelveli District

The details of the total achievement and achievement of annual credit for MSMEs in Tirunelveli district are given in Table 7.

Table 7: Achievements of Annual Credit Plan of Indian Overseas Bank in Tirunelveli District (` in Crores)

Year	Total Achievements	Percentage Growth	Achievements for MSME	Percentage Growth
2003-04	525.20		37.33	
2004-05	649.29	23.63	58.41	56.47
2005-06	865.27	33.26	67.61	15.75
2006-07	1445.23	67.03	97.06	43.56
2007-08	1317.08	-8.87	152.09	56.70
2008-09	1394.79	5.90	84.41	-44.50
2009-10	1515.49	8.65	173.71	105.79
2010-11	2576.19	69.99	147.63	-15.01
2011-12	2264.53	-12.10	182.18	23.40
2012-13	2436.48	7.59	198.14	8.76

Source: Compiled from Annual Credit Plan for Tirunelveli District from 2003-04 to 2011-2012, Published by the Lead Bank Section of Indian Overseas Bank, Tirunelveli.

It is found from Table 7 that the total achievement and the achievement of annual credit plan for MSMEs by Indian Overseas Bank (Lead Bank of Tirunelveli district) have a steady increase during the period under study. It is found that the total achievement by IOB was Rs.525.20 crores in the year 2003-04 and it was increased to Rs.2436.48 crores in the year 2012-13. But fluctuation was observed in the percentage increase per annum. In the case of the achievement for MSMEs, it has steadily increased from Rs.37.33 crores in 2003-04 to Rs.198.14 crores in 2012-13. The percentage increase over the previous year was observed fluctuations during the period under study. Table 4.8 furnishes the details about the average and the stability of total achievement and achievement for MSMEs by the Indian Overseas Bank in Tirunelveli district.

Table 8: Average and Stability of Achievements of Annual Credit Plan of Indian Overseas Bank

Sl. No.	Particulars	Total Achievements	Achievements for MSMEs
1.	Mean	1498.96	119.86
2.	S.D.	726.04	57.56
3.	C.V. (per cent)	48.44	48.02

Source: Computed data.

It is inferred from Table 8 that the average total achievement of annual credit plan and achievement for MSMEs by the Indian Overseas Bank in Tirunelveli district were Rs.1498.96 crores and Rs.119.86 crores respectively during the period 2003-04 to 2012-13. The analysis shows that there is no fluctuations are found for both the total achievement and achievement for MSMEs as indicated by the coefficient of variation. The computed results of the trend and the growth rate of the total achievement of annual credit plan and

the achievement for MSMEs by the Indian Overseas Bank in Tirunelveli district are presented in Table 9.

Table 9: Trend and Growth Rate of Total Achievement and Achievement for MSMEs

Sl. No.	Particulars	Linear Trend Coefficient		\bar{R}^2	CGR (per cent)
		A	B		
1.	Total Achievements	253.91	226.37* (8.09)	0.89	18.645
2.	Achievements for MSMEs	23.98	17.43* (6.50)	0.84	18.528

Source: Computed data; Figures in brackets are t-values.; * Indicates that the trend coefficients are statistically significant at 5 per cent level.

Table 9 shows that the trend coefficients of the total achievement of annual credit plan and achievement for MSMEs were statistically significant at 5 per cent level and positive. It implies that on an average total achievement and achievement and target for MSMEs have been increasing at the rate of Rs.226.37 crores and Rs.17.43 crores per annum respectively. The compound growth rate for both the total achievement of annual credit plan and achievement for MSMEs was found to be more or less the same.

Summary of Findings and Conclusion

The following are the major findings of the study:

- It is found that the deposit collected by IOB was Rs.283070 in the year 2003-04 and it was increased to Rs.821468 lakhs in the year 2012-13. But fluctuation was observed in the percentage increase per annum. In the case of the advances, it has steadily increased from Rs.143515 lakhs in 2003-04 to Rs.645618 lakhs in 2012-13.
- It observed that the average deposits and advances in the Indian Overseas Bank in Tirunelveli district were Rs.539598.10 lakhs and Rs.403147.10 lakhs respectively during the period 2003-04 to 2012-13. The analysis shows the high fluctuations in advances amount compared to deposits amount as indicated by the coefficient of variation.
- It is observed from Table 4.3 that the trend coefficients of the deposit amount and advance amount were statistically significant at 5 per cent level and positive. The compound growth rate was found high in the advance amount (18.146 per cent) followed by the deposit amount (14.225 per cent).
- It is inferred that the total target amount fixed by IOB was Rs.379.83 crores in the year 2003-04 and it was increased to Rs. 2596.15 crores in the year 2012-13. But fluctuation was observed in the percentage increase per annum. In the case of the target amount for MSMEs, it has steadily increased from Rs.53.90 crores in 2003-04 to Rs. 297.14 crores in 2012-13.
- It is shown that the average total target amount and target for MSMEs fixed by the Indian Overseas Bank in Tirunelveli district were Rs.1428.39 crores and Rs.141.23 crores respectively during the period 2003-04 to 2012-13. The analysis shows the

high fluctuations in target for MSMEs compared to total target amount as indicated by the coefficient of variation.

- It is portrayed that the trend coefficients of the total target amount and target for MSMEs were statistically significant at 5 per cent level and positive. It implies that on an average total target and target for MSMEs have been increasing at the rate of Rs.254.99 and Rs.26.71 per annum respectively.
- It is found that the total achievement by IOB was Rs. 525.20 crores in the year 2003-04 and it was increased to Rs.2436.48 crores in the year 2012-13. But fluctuation was observed in the percentage increase per annum. In the case of the achievement for MSMEs, it has steadily increased from Rs.37.33 crores in 2003-04 to Rs.198.14 crores in 2012-13.
- It is inferred that the average total achievement of annual credit plan and achievement for MSMEs by the Indian Overseas Bank in Tirunelveli district were Rs.1498.96 crores and Rs.119.86 crores respectively during the period 2003-04 to 2012-13. The analysis shows that there is no fluctuations are found for both the total achievement and achievement for MSMEs as indicated by the coefficient of variation.
- It is revealed that the trend coefficients of the total achievement of annual credit plan and achievement for MSMEs were statistically significant at 5 per cent level and positive. It implies that on an average total achievement and achievement and target for MSMEs have been increasing at the rate of Rs.226.37 crores and Rs.17.43 crores per annum respectively.

Suggestions

The adequacy of lead bank finance and the sanction of loan in time are very crucial for the development and survival of MSMEs. The followings suggestions are offered based on the findings of the study.

1. It is observed that the advances made by the Indian Overseas Bank through Lead Bank Scheme in Tirunelveli District are less compare to the target during the year 2008-09 to 2012-13. It is suggested that the Indian Overseas Bank should take proper action to disburse more advances to the MSME sector so as to reach the target.
2. It is seen from the analysis that working capital had a greater influence on the growth of the MSME sector. Hence, it is suggested that the bank should provide higher loan for working capital so as to facilitate significant growth of the MSME sector.
3. It is suggested that the bank should inspect documents without delay, simplify the procedures for getting loans and fix the time limit for the sanction and disbursement, so that MSME units can get timely credit at lower interest.

4. To reduce the time involved in credit sanctions, it is essential that the MSMEs should submit all the required information in one instalment.

Conclusion

Finance is the lifeblood of any business. Adequate finance at the right time at the lowest cost without administrative hassles will give the greater fillip to the growth of MSMEs. The suggestion made, if implemented, will undoubtedly make the MSME enterprises competitive viable and meaningful. Proper treatment to MSME in so far as financing is concerned will help them to contribute significantly to the national economy. The strategies suggested in the study would make the MSME highly competitive and strong to meet all the challenges of the new environment created by globalization. This in turn helps the priority sector to contribute its share to the gross domestic product of the country. In the wake of globalization, the Indian Overseas Bank (Lead Bank) should adopt all the supra-strategies mainly to ensure adequate loans to the MSMEs.

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