

PREDICTIVE POWER OF PARAMETERS INFLUENCING BORROWING BY MSMES

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ABSTRACT

Small businesses are the lifeline for sustaining the economy of any nation with their significant contribution in GDP and employment generation. The most comprehensive definition of small business in India has been given by the Ministry of MSMEs with effect from July, 2020 which classifies MSMEs on the basis of investment as well as turnover. While the importance of MSME sector for the economy is irrefutable, the sector is not free from problems. A major inhibition to the growth of the sector is the “access to finance”. It has been attempted to find out what are some variables that influence borrowing experience of MSME borrowers. Borrowing experience related data were collected from 750 MSMEs across different districts of Assam with the help of a schedule. Ordinal regression has been attempted to develop models to predict contribution of various demographic and non-demographic variables to difficulty faced by the MSME borrowers in obtaining loan from banks. Factors found to be significant predictors in identifying various dimensions of problems faced while borrowing from banks by MSMEs include inter alia registration status,

age of owner, type of scheme availed, location, age of the business, etc. Many newly setup start-up MSMEs can hardly produce any rosy track record as a pre-condition for institutional credit accommodation to prove their credit worthiness; to reduce the risk of lending by banks and to contain occurrence of NPAs.

Keywords: MSME, Micro, Small and Medium Enterprises, Small Enterprises, Bank Credit, Entrepreneurial credit

INTRODUCTION

Micro, Small and Medium Enterprises (Small industries, SMEs, etc.) have been categorised in a number of ways over the world, such as type (micro, small or medium), activity (manufacturing or service) or ownership (proprietorship, partnership or company). In India, Micro; Small and Medium Enterprises Development (MSMED) Act was passed in 2006 to define and address the sector for the first time. While the earlier prevailing definition for the sector focused on investment limit and type of industry, it was revised by the Ministry of MSMEs with effect from July, 2020 as follows:

Table 1: Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover.

Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than ₹1 crores and Annual Turnover; not more than ₹ 5 crores	Investment in Plant and Machinery or Equipment: Not more than ₹10 crores and Annual Turnover; not more than ₹50 crores	Investment in Plant and Machinery or Equipment: Not more than ₹50 crores and Annual Turnover; not more than ₹ 250 crores

Source: Ministry of MSME, July 2020

This classification of MSMEs is primarily applicable for manufacturing entity but a new form of categorisation is now overdue for enterprises in service sector, information technology sector and start up enterprises. This would encourage technology-based new enterprises.

While the importance of MSME sector for the economy is irrefutable, the sector is encircled with challenges. A major inhibition to the growth of the sector is the “access to finance”. Small scale entrepreneurs face many issues in availing loan from formal sources, which inter alia include documentation, time gap, guarantee requirements, collateral which force them to resort to alternate sources for credit (Singh & Singh, 2014). This was concurred by Singh and Wasdani (2016) who found that banks in India took on an average one and-a-half times longer than NBFCs in processing loan requests for existing MSMEs. Difficulty with collateral security or guarantee demanded by bank, procedural complications, lack of knowledge about available schemes are also some problems reported by the same study. Yifu et. al. (2006); Naidu and Chand (2012) observed that SMEs encountered more difficulty in providing collateral security requirements and guarantors compared to larger counterparts. Some factors identified to be major threat to small firms in getting access to finance were lack of collateral security, insecure environment, lack of experience and lack of financial assets (Reddy, 2007; Narteh, 2013). Irwin and Scott (2010) indicated in their study in Great Britain that factors like education had little role to play in prediction of difficulties faced by small entrepreneurs, rather factors like ethnicity had a greater role. However, at the same time banks in Europe were not proactively pursuing small business as potential borrowers (Prince, Rae and Cini, 2013; Goswami, 2014). This is mostly because small businesses are perceived to be greater investment risks (Taylor and Bradley, 1994). Nkundabanyanga et al. (2014) stated that most influencing factors behind access to finance by small businesses were type of business, turnover, interest rates, literacy levels, etc. Another hindering factor was the lack of operational flexibility in case of formal sources of finance (Sobia, 2014).

While at the regional level, studies conducted in various districts in the state of Assam, regarded as the gateway to North Eastern India, found that majority of small businesses faced problems while borrowing from banks, and preferred alternate sources of credit (Sharma, 2014; Bohra, 2017). The study considers the quality of predictive parameters while evaluating the borrowing experience of MSMEs at a regional level in the state of Assam.

METHODOLOGY AND QUALITY OF PREDICTIVE PARAMETERS

It has been attempted to find out what are some variables that influence borrowing experience of MSME borrowers. Borrowing experience related data were collected from 750 MSMEs across different districts of Assam in India with the help of a schedule. Sample MSMEs were selected using random sampling technique from the list of registered MSMEs provided by District Industries Centre. The difficulties experienced by MSMEs in borrowing from banks have been measured using eight categorizations, namely: Application, Documentation, Staff support, Terms and policies, Sanction process, Attitude, Support Service, and Post sanction (Reddy, 2007; IFC report, 2016; Kihimbo et al. 2012). The variables selected for measuring effect towards borrowing experience based on literature review are: Gender (Coad and Tamvada, 2011); Age of owner (Alamelu and Bhaskaran, 2009); Type of unit (Bigsten, 2003); Location of business (Yitayal, 2004); Experience of business (in years) (Alamelu and Bhaskaran, 2009); Registration status (whether registered with DIC or not) (Alamelu and Bhaskaran, 2011; Singh and Wasdani, 2016); Amount of capital invested (Coad and Tamvada, 2011); Annual Income (Beck and Kunt, 2006); Amount of loan applied (IFC report, 2016; Singh and Wasdani, 2016; Yifu

et al., 2006).; and Type of scheme availed (PMEGP, PMMY, other scheme, no scheme) (Gandhi, 2015)

Ordinal regression has been attempted to develop models to predict contribution of various demographic and non-demographic variables to difficulty faced by the MSMEs borrowers in obtaining a loan from bank. The model will give an idea of how various demographic and non-demographic variables may have an effect on the overall borrowing experience. The parameter-wise borrowing experience of each borrower has been categorised into three groups (1=Disagree, 2= Neutral and 3 = Agree). All assumptions have been tested and verified before proceeding with the analysis. To test the presence of multicollinearity, VIF values of the factors were checked and a value of less than 5 has been considered as acceptable (Hair et al, 2005, Ringle et al., 2015).

ANALYSIS OF RESULTS AND INFERENCES

The results of the ordinal logistics regression are summarised below:

Model fitting information tells whether a Final Model is an improvement over Intercept only model (p value < 0.05 indicates that final model outperforms the null). Table 2 shows the results of Model Fitting Information.

Table 2: Results of Model Fitting Information.

Parameter	Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Application	Intercept Only	1113.888			
	Final	1018.339	95.548	15	.000

Documentation	Intercept Only	1489.156			
	Final	1404.263	84.893	27	.000
Staff support	Intercept Only	1293.528			
	Final	1251.396	42.132	26	.024
Sanction process	Intercept Only	1431.982			
	Final	1365.963	66.019	21	.000
Attitude	Intercept Only	1317.461			
	Final	1273.191	44.270	22	.003
Support service	Intercept Only	1549.353			
	Final	1423.667	125.686	25	.000
Post sanction	Intercept Only	1283.657			
	Final	1244.629	39.029	26	.048
Terms and policies	Intercept Only	1022.630			
	Final	969.968	52.661	18	.000

Link function: Logit.

Source: self-computed

Goodness of fit test has been done to check model fit (p value > 0.05 indicates a good fit).

Table 3: shows the result of Goodness of fit test.

Parameter		Chi-Square	Df	Sig.
Application	Pearson Deviance	702.981	689	.348
		768.359	689	.019
Documentation	Pearson Deviance	1405.466	1363	.207
		1364.344	1363	.485
Staff support	Pearson Deviance	1366.559	1354	.400
		1210.854	1354	.998
Sanction process	Pearson Deviance	1270.888	1251	.341
		1266.538	1251	.373
Attitude	Pearson Deviance	1165.645	1182	.627
		1148.255	1182	.754

Support service	Pearson Deviance	1349.246	1321	.288
		1365.148	1321	.194
Post sanction	Pearson Deviance	1421.279	1352	.093
		1209.208	1352	.998
Terms and policies	Pearson Deviance	933.528	884	.121
		828.915	884	.907

Link function: Logit.

Source: self-computed

Nagelkerke pseudo-R square can be used to determine proportion of the total variability explained by the model. Though there is no definite cut-off but a high r-squared value is desirable for a regression prediction. However, it is often argued that r-squared is a measure of variability rather than a measure of the fit of the model. A low r-squared with significant factors may still yield results if high precision results are not possible due to nature of data. Many researchers have argued that in case of data with scope for variations, there may be many other factors (e.g., a large sample size) that may result in these pseudo-R squared values (Smith & McKenna, 2013; Moksony, 1990). This is often encountered in social science research that relies on human perception. Considering the nature of data, a pseudo r squared value of at least 10% has been considered acceptable for the results (Falk & Miller, 1992; Cohen, 1998). Table 4 shows the pseudo-R-squared value by Nagelkerke.

Table 4: Pseudo R-Squares for each parameter.

Parameter	Nagelkerke
Application	.137
Documentation	.123
Staff support	.106
Sanction process	.136
Attitude	.127
Support service	.175
Post sanction	.131
Terms and policies	.103

To test the assumption of proportional odds assumption, tests of parallel lines have been conducted (p value > 0.05 indicates that the proportional odds assumption has not been violated). The results of test of parallel lines are shown in table 5.

Table 5: Results of Test of Parallel Lines.

Parameter	Model	-2 Log Likelihood	Chi-Square	Df	Sig.	
Application	Null Hypothesis	1018.339				
	General		1004.294	14.045	15	.522
Documentation	Null Hypothesis	1404.263				
	General		1374.914b	29.349c	27	.344
Staff support	Null Hypothesis	1251.396				
	General		1225.855	25.541	26	.489
Sanction process	Null Hypothesis	1365.963				
	General		1342.952	23.012	21	.343
Attitude	Null Hypothesis	1273.191				
	General		1250.225b	22.966c	22	.404
Support service	Null Hypothesis	1423.667				
	General		1401.346	22.321	25	.617
Post sanction	Null Hypothesis	1244.629				
	General		1219.790	24.839	26	.528
Terms and policies	Null Hypothesis	969.968				
	General		959.051	10.917	18	.898

Source: self-computed

The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.

a. Link function: Logit.

b. The log-likelihood value cannot be further increased after maximum number of step-halving.

c. The Chi-Square statistic is computed based on the log-likelihood value of the last iteration of the general model. Validity of the test is uncertain.

The parameter estimates in table 6 helps in identification of critical variables. Table 6 to table 13 shows the critical variable identification for all the eight parameters of difficulty faced while obtaining a bank loans by borrowers. Only the significant results (p -value<0.05) have been demonstrated.

Table 6: Parameter Estimates for Difficulty with Application (Reference value = Agree).

		Estimate (β)	Sig.	Exp (β)
Threshold	[Application_Difficulty = 1]	-2.040	.000	0.130029
	[Application_Difficulty = 2]	.364	.347	1.439074
Location	[Scheme_Loan= PMEGP]	-.980	.000	0.375311
	[Scheme_Loan=PMMY]	.033	.883	1.033551
	[Scheme_Loan= Other Scheme]	-.983	.000	0.374187
	[Scheme_Loan= No scheme]	0 ^a	.	1
	[Business_Term=Up to 5 years]	.224	.451	1.251071
	[Business_Term= 6-10 years]	.779	.006	2.179292
	[Business_Term=11-15 years]	.574	.030	1.775354
	[Business_Term=16-20 years]	.157	.616	1.169996
	[Business_Term=21-25 years]	.513	.069	1.670295
	[Business_Term=Above 25 years]	0 ^a	.	1
	[Capital_investment= Upto 5 lakhs]	-.537	.009	0.584499
	[Capital_investment= 5,00,001 – 15 lakhs]	-.098	.603	0.906649
	[Capital_investment= More than 15 lakhs]	0 ^a	.	1
	[Unit_type= Micro]	-.509	.008	0.601096
[Unit_type= Small & Medium]	0 ^a	.	1	

Link function: Logit.

Source: self-computed

In case of loan application process, borrowers under PMEGP and “other schemes” are 0.37 times less likely to face difficulty compared to borrowers with “no scheme”. Businesses which are 6-10 years old are 2.18 times and businesses which are 11-15 years old are 1.78 times more likely to face difficulty with application compared to businesses which are more than 25 years old. MSMEs with capital investment of up to ₹ 5 lakhs are 0.58 times less likely to face difficulties with application for loan compared to those MSMEs who have capital investments of more than ₹ 15 lakhs. Micro MSME units are 0.6 times less likely to face problems with application procedure compared to small and medium MSMEs.

Table 7: Parameter Estimates for Difficulty with Documentation (Reference value = Agree).

		Estimate (β)	Sig.	Exp (β)
Threshold	[Documentation_Difficulty = 1]	-1.861	.001	0.155517
	[Documentation_Difficulty = 2]	-.747	.190	0.473786
Location	[Age_owner = Upto 30 years]	-.764	.023	0.465799
	[Age_owner= 31-40 years]	-.745	.006	0.474734
	[Age_owner= 41-50 years]	-.720	.008	0.486752
	[Age_owner= Above 50 years]	0 ^a	.	1
	[Unit_Registration= Yes]	-.626	.000	0.534726
	[Unit_Registration=No]	0 ^a	.	1
	[Unit_location= Urban]	-.629	.011	0.533125
	[Unit_location= Semi-urban]	-.651	.046	0.521524
	[Unit_location= Rural]	0 ^a	.	1
	[Loan_Applied_Amount= Upto 5 lakhs]	-.716	.037	0.488703
	[Loan_Applied_Amount= 500001-10 lakhs]	-.452	.164	0.636354
	[Loan_Applied_Amount=1000001-15 lakhs]	-.409	.254	0.664314
	[Loan_Applied_Amount=1500001-20 lakhs]	-.586	.089	0.556549
[Loan_Applied_Amount= More than 20 lakhs]	0 ^a	.	1	

Link function: Logit.

Source: self-computed

In terms of difficulty faced with documentation, borrowers (MSME owners/represents) less than 50 years of age are on an average 0.47 times less likely to face difficulties with borrowing compared to borrowers of more than 50 years of age. MSME units which are registered are 0.53 times less likely to face difficulties with documentation. MSME units located in urban and semi-urban areas are approximately 0.52 times less like to face difficulties with documentation when compared to MSMEs units from rural areas. MSME borrowers who applied for loan amounts of up to ₹ 5 lakhs are 0.49 times less likely to face difficulties with documentation compared to borrowers who applied for loan amounts of more than ₹ 20 lakhs.

Table 8: Parameter Estimates for Difficulty with Staff support (Reference value = Agree).

		Estimate (β)	Sig.	Exp (β)
Threshold	[Staff_Difficulty = 1]	-.176	.754	0.838618
	[Staff_Difficulty = 2]	2.303	.000	10.00415
Location	[Age_owner = Upto 30 years]	-.491	.151	0.612014
	[Age_owner= 31-40 years]	-.568	.043	0.566658
	[Age_owner= 41-50 years]	-.542	.051	0.581584
	[Age_owner= Above 50 years]	0 ^a	.	1
	[Scheme_Loan= PMEGP]	.638	.209	1.892692
	[Scheme_Loan=PMMY]	.707	.002	2.027898
	[Scheme_Loan= Other Scheme]	.114	.788	1.120752
	[Scheme_Loan= No scheme]	0 ^a	.	1
	[Business_Term=Up to 5 years]	.637	.051	1.8908
	[Business_Term= 6-10 years]	.414	.167	1.512857
	[Business_Term=11-15 years]	.305	.286	1.356625
	[Business_Term=16-20 years]	.574	.082	1.775354
	[Business_Term=21-25 years]	.060	.845	1.061837
	[Business_Term=Above 25 years]	0 ^a	.	1

Link function: Logit.

Source: self-computed

For the parameter staff support, borrowers within the age group of 31-50 years are 0.57 times less likely to face difficulties compared to borrowers more than 50 years old. Borrowers who opted for PMMY scheme were 2.03 times more likely to face difficulties with staff support compared to borrowers with no scheme. Businesses which were up to 5 years old were 1.9 times more likely to face difficulty with staff support in comparison to borrowers who were more than 50 years old.

Table 9: Parameter Estimates for Difficulty with Sanction process (Reference value = Agree).

		Estimate (β)	Sig.	Exp (β)
Threshold	[Sanction_Difficulty = 1]	-1.634	.002	0.195147
	[Sanction_Difficulty = 2]	.621	.240	1.860788

Location	[Age_owner = Upto 30 years]	-1.018	.002	0.361317
	[Age_owner= 31-40 years]	-.866	.001	0.420631
	[Age_owner= 41-50 years]	-.858	.001	0.424009
	[Age_owner= Above 50 years]	0 ^a	.	1
	[Capital_investment= Upto 5 lakhs]	-.535	.037	0.585669
	[Capital_investment= 5,00,001 – 15 lakhs]	-.148	.434	0.862431
	[Capital_investment= More than 15 lakhs]	0 ^a	.	1
	[Unit_Registration= Yes]	-.551	.000	0.576373
	[Unit_Registration=No]	0 ^a	.	1
	[Yearly_Income= Upto 5 lakhs]	-.794	.026	0.452033
	[Yearly_Income=500001-10 lakhs]	-.529	.080	0.589194
	[Yearly_Income=1000001-15 lakhs]	-.784	.019	0.456576
	[Yearly_Income=1500001-20 lakhs]	-.597	.058	0.550461
	[Yearly_Income= More than 20 lakhs]	0 ^a	.	1

Source: self-computed

For the sanction process, borrowers within 50 years of age were on an average 0.4 times less likely to face difficulty compared to those borrowers who were aged above 50 years. MSMEs which invested up to ₹ 5 lakhs in capital are 0.58 times less likely to face difficulties with sanctioning of loan compared to those MSMEs with capital investments of more than ₹. 15 lakhs. Registered MSME units were 0.57 times less likely to face difficulties with sanction process. MSMEs with yearly income of up to ₹ 5 lakhs and more than ₹10 lakhs but less than ₹ 15 lakhs were 0.45 times less likely to face difficulty with sanction process compared to those MSMEs which were earning more than ₹ 20 lakhs annually.

Table 10: Parameter Estimates for Difficulty with Attitude (Reference value = Agree).

		Estimate (β)	Sig.	Exp (β)
Threshold	[Attitude_Difficulty = 1]	-2.551	.000	0.078004
	[Attitude_Difficulty = 2]	-1.161	.043	0.313173

Location	[Scheme_Loan= PMEGP]	-.346	.046	0.707512
	[Scheme_Loan=PMMY]	.122	.616	1.129754
	[Scheme_Loan= Other Scheme]	-.564	.019	0.568929
	[Scheme_Loan= No scheme]	0 ^a	.	1
	[Loan_Applied_Amount= Upto 5 lakhs]	-.675	.029	0.509156
	[Loan_Applied_Amount= 500001-10 lakhs]	-.473	.147	0.62313
	[Loan_Applied_Amount=1000001-15 lakhs]	-.214	.565	0.807348
	[Loan_Applied_Amount=1500001-20 lakhs]	-.083	.825	0.920351
	[Loan_Applied_Amount= More than 20 lakhs]	0 ^a	.	1

Source: self-computed

In terms of difficulty with attitude, borrowers under PMEGP scheme were 0.7 times, and borrowers under other schemes (any other scheme than PMEGP and PMMY) were 0.57 times, less likely to face difficulties when compared to borrowers with no schemes. MSME borrowers who applied for loan amounts of up to ₹ 5 lakhs were 0.5 times less likely to face difficulties with attitude of banks compared to borrowers who applied for loan amounts of more than ₹ 20 lakhs.

Table 11: Parameter Estimates for Difficulty with Support service (Reference value = Agree).

		Estimate (β)	Sig.	Exp (β)
Threshold	[Support_Difficulty = 1]	-1.512	.007	0.220469
	[Support_Difficulty = 2]	-.315	.576	0.729789
Location	[Age_owner = Upto 30 years]	-.691	.041	0.501075
	[Age_owner= 31-40 years]	-.038	.889	0.962713
	[Age_owner= 41-50 years]	-.167	.538	0.8462
	[Age_owner= Above 50 years]	0 ^a	.	1
	[Yearly_Income= Upto 5 lakhs]	-.800	.031	0.449329
	[Yearly_Income=500001-10 lakhs]	-.294	.350	0.745276
	[Yearly_Income=1000001-15 lakhs]	-.026	.939	0.974335
	[Yearly_Income=1500001-20 lakhs]	-.228	.473	0.796124
	[Yearly_Income= More than 20 lakhs]	0 ^a	.	1
	[Unit_Registration= Yes]	-1.124	.013	0.324977
[Unit_Registration=No]	0 ^a	.	1	

Source: self-computed

Borrowers up to 30 years of age were 0.5 times less likely to face difficulties with support services from banks when compared to borrowers above 50 years of age. MSMEs with yearly income of up to ₹ 5 lakhs were 0.45 times less likely to face difficulty with support services compared to those MSMEs which were earning more than ₹ 20 lakhs annually. Registered MSMEs faced 0.32 times less difficulty with support services.

Table 12: Parameter Estimates for Difficulty with Post sanction (Reference value = Agree).

		Estimate (β)	Sig.	Exp (β)
Threshold	[Postsanction_Difficulty = 1]	.821	.188	2.272771
	[Postsanction_Difficulty = 2]	3.043	.000	20.96805
Location	[Yearly_Income= Upto 5 lakhs]	-.809	.033	0.445303
	[Yearly_Income=500001-10 lakhs]	-.609	.052	0.543894
	[Yearly_Income=1000001-15 lakhs]	-.542	.113	0.581584
	[Yearly_Income=1500001-20 lakhs]	-.633	.049	0.530996
	[Yearly_Income= More than 20 lakhs]	0 ^a	.	1
	[Gender_owner= Male]	.609	.004	1.838592
	[Gender_owner= Female]	0 ^a	.	1

Source: self-computed

In terms of experience with post sanction issues of loans, borrowers with yearly income of up to ₹ 10 lakhs and more than ₹10 lakhs but less than ₹ 20 lakhs were on an average 0.5 times less likely to face difficulties than borrowers earning more than ₹ 20 lakhs annually. Male borrowers were 1.8 times more like to face difficulty with post sanction related issues.

Table 13: Parameter Estimates for Difficulty with Terms and policies (Reference value = Agree).

		Estimate (β)	Sig.	Exp (β)
Threshold	[Terms_Difficulty = 1]	-2.710	.000	0.066537
	[Terms_Difficulty = 2]	.757	.112	2.131871

Location	[Unit_Registration= Yes]	-.695	.000	0.499074
	[Unit_Registration=No]	0 ^a	.	1
	[Loan_Applied_Amount= Upto 5 lakhs]	-.764	.039	0.465799
	[Loan_Applied_Amount= 500001-10 lakhs]	-.618	.079	0.539021
	[Loan_Applied_Amount=1000001-15 lakhs]	-.643	.098	0.525713
	[Loan_Applied_Amount=1500001-20 lakhs]	-.107	.773	0.898526
	[Loan_Applied_Amount= More than 20 lakhs]	0 ^a	.	1

Source: self-computed

Registered units faced 0.5 times less difficulty with terms and conditions of the loan/bank. MSME borrowers who applied for loan amounts of up to ₹ 5 lakhs were 0.46 times less likely to face difficulties with terms and conditions of banks compared to borrowers who applied for loan amounts of more than ₹ 20 lakhs.

The results of the analysis of selected parameters pose interesting results on the bank borrowing experience of MSME borrowers. In respect of application processing, micro and small category of MSME borrowers with some kind of scheme; and those who are considerably older face lesser difficulty in this regard. With regard to documentation, small and micro borrowers, young entrepreneurs, registered borrowers, urban resident borrowers face lesser difficulty. MSME borrowers who opt for PMMY scheme and proposal for a new business face comparatively more difficulty from the bank officials because they are considered to be located in greater credit risk zone. While on the other, borrowers without any scheme or borrowers under PMMY scheme encounter a negative attitude from the credit institutions. In respect of borrowing process, relatively aged and unregistered borrowers encounter more difficulty in getting credit facility and other related services. Male borrowers and those borrowers with large-sized loan proposals face post-sanction related scrutiny and clarifications. Unregistered borrowers and those borrowers applying for applying for bigger sized loan face more scrutiny with regard to post sanction related parameters with additional stipulation of terms and conditions. In order to ameliorate the hardships and challenges encountered by the MSME borrowers specially during the covid-19 induced pandemic, many steps were initiated by the government, but only a fraction of the entire challenges have been addressed. Loan moratorium was announced by the RBI on the insistence of Ministry of Finance, but commercial banks, lenders refuse to honour the directives fearing mounting NPAs; and the complicity involving the sector. Finance facility and credit accommodation for new ventures creation under Atmanirbhar Bharat has not been given considerable attention.

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