IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

Research Paper

COLLATERAL FREE LENDING TO MICRO AND SMALL ENTERPRISES: A COMPARATIVE STUDY OF THE GUIDELINES OF CREDIT GUARANTEE FUND TRUST AND RESERVE BANK OF INDIA

Dr. Habeeb Rahiman

Director, MES Advanced Institute of Management & Technology, Kochi, Kerala.

Abstract

In view of the high risk perception of the bankers Micro and Small Enterprises (MSEs) are finding it extremely difficult to obtain adequate and timely credit from the banking sector. Banks insist on secondary collateral, particularly in the form of immovable property as also third party guarantee, in order to hedge against default. Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) was formed to offer credit facilities up to Rs.100 Lakhs to MSE without any collateral security and /\or third party guarantees. The Reserve Bank of India (RBI) constituted a high power working group to study the functioning of CGTMSE to facilitate increased flow of credit to MSEs. The RBI study recommended for collateral-free lending mandatory up to Rs.10 Lakh. This study looks into the divergence in the guidelines issued by CGTMSE and RBI relating to lending to MSEs and its impact on collateral free lending to MSEs.

Key Words: Credit Guarantee, Collateral security, Micro and Small Enterprises (MSEs).

1.INTRODUCTION

Micro and Small Enterprises (MSEs) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSEs are complementary to large industries as ancillary units and this sector contributes enormously to the socioeconomic development of the country. 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. Notwithstanding various measures taken by the Government of India (GOI) and Reserve Bank of India (RBI) for facilitating the growth of the MSE sector, there have been widespread complaints from the MSEs sector that many of them, particularly technocrats and first generation entrepreneurs in the MSEs sector, find themselves handicapped in accessing credit from the banking system primarily for want of secondary collateral and/ or third party guarantee (S. K. Bagchi, 2008) [30].

2.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 credit to the MSE sector in the Net Bank Credit (NBC) has declined from 12.5 per cent to 10.9 per cent. There has been a decline in the share of micro sector as a percentage of NBC from 7.8 per cent in March 2000 to 4.9 percent in March 2009. (Report of the Prime Ministers Task Force on Micro, Small and Medium Enterprises) (2010).[1] The major reasons for low availability of bank finance are high risk perception of the banks in lending to MSEs. The two are the major issues noticed are as follows: (i) Poor growth of CGTMSE lending, and (ii) Divergence in guidelines by CGTMSE and the RBI. Regarding the first issue, the collateral free lending under CGTMSE for March 2009 was just 2.64 percent of the total MSE lending,(RBI report) revealing the fact that 97.4 percent of the lending to MSE is outside the purview of collateral free lending even for PSU banks. Regarding the second problem, it may be pointed that with the objective of accelerating lending to MSE, RBI has appointed a high power working group to study and review lending under CGTMSE where the upper limit was Rs.100 lacs. This committee submitted a report in 2010 March whereby it was recommended that collateral free lending should be made mandatory up to Rs. 10 lakh.

3.OBJECTIVES OF THE STUDY AND METHODOLOGY

The basic objective of this study to analyze the divergence in the lending guidelines issued by CGTMSE and RBI a on collateral free lending to MSEs and also the implications of the same. Accordingly, the study seeks to suggest suitable remedial measures. The study is descriptive-analytical. It uses both primary and secondary data. To study the impact of divergent guidelines of CGTMSE&, RBI on collateral free lending primary data were collected from 61 branch managers and 61 credit officers. Secondary data required for the study has been obtained from various reports published by CGTMSE, RBI and GOI.

4.LITERATURE REVIEW

Literature review has shown that SMEs not only reported higher financing obstacles than large firms, but also the effect of these financing constraints was stronger for SMEs than for large firms (Beck, Demirguc-Kunt and Maksimovic, 2005; Beck et al., 2006; see Beck and Demirguc-Kunt, 2006 for an overview).

Banks have traditionally avoided small enterprise lending due to the high administrative costs involved, asymmetric information about potential SME clients' capacity and willingness to repay, high risk perceptions, and lack of acceptable collateral (Davies 2007). A working paper by Harward Business School (2009)[23] observes that financing constraints are one of the biggest concerns impacting entrepreneurs worldwide. 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.

The description of the priority sectors was formalized in 1972 on the basis of the report submitted by the Informal Study Group constituted by RBI on Statistics relating to advances to the Priority Sectors. On the basis of this report, the RBI has 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 CEOs of PSBs 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 (PSL) and the Twenty Point Economic Programme by Banks, all commercial banks were advised to achieve the target of PSL at 40 percent 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 many changes in these norms. On the basis of the recommendations made in Sept. 2005 by the Internal Working Group set up by RBI 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), should not exceed the stipulated amount.

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).

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 MSEs 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.

4. CREDIT GUARANTEE FUND SCHEME FOR MSES

The Government launched the Credit Guarantee Fund Scheme for Small Industries (now renamed as Credit Guarantee Fund Scheme for Micro and Small Enterprises or CGFSMSE) in August, 2000 with the objective of making available credit to MSEs, particularly Micro Enterprises, for loans up to Rs. 100 lakh without collateral/third party guarantees. The scheme is being operated by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) set up jointly by the GOI and SIDBI. The Scheme covers collateral free credit facility (term loan and/or working capital) extended by eligible member lending institutions to new and existing micro and small enterprises up to Rs. 100 lakh per borrowing unit. As on 31st March 2014, cumulatively 14,19,807 proposals have been approved for guarantee cover for a total sanctioned loan amount of Rs. 70,026.28 crore.

Table I: 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*

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.

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

5. REPORT OF THE RBI WORKING GROUP ON REVIEWING CGTMSE

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 working group has submitted its report in March 2010.

Table II: Areas of Divergence of Lending Guidelines of CGTMSE and RBI

Guidelines	CGTMSE	RBI as Suggested by Working Group
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 upto Rs.10 lakh is borne by CGTMSE.	No additional charges both to Micro & Small enterprises.
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 obtaining 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.

Source: Compiled from the Secondary data.

6. ANALYSIS OF PRIMARY DATA COLLECTED FROM BANK MANAGERS

Data collected from 122 Bank Officials (61 Branch Managers and 61 Credit Officers) are analyzed to examine as to how the divergence between the CGT and RBI guidelines on collateral free lending to MSEs influences CGTMSE. Analysis of Reliability and Validity is done using the Reliability Coefficients Cronbach's alpha for 9 number of items, which works out to $\alpha = 0.68$. Of all the reliability methods, the internal consistency method is considered to be the most effective one, especially in field studies. Nine variables are taken to establish the reliability of the measuring instrument, of which 7 variables relate to CGTMSE and 2 variables relate to RBI.

7. THE SEVEN VARIABLES RELATING CGTMSE

(i) Non-Mandatory Lending
(ii) Approval
(iii) Guarantee invoking norms
(iv) Payment of Guarantee Fee
(v) Awareness about the Scheme
(vi) Collateral
(vii) Extent of Cover

7.1Non-Mandatory Lending

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 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.

7.2 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. 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

7.3 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.50,000/- and where it is waived upto Rs.50,000/- an official not below the rank of General Manager has to certify compliance of stipulated guidelines. The guarantee invoking should start within one year of the account becoming Non-Performing Account (NPA) (An NPA account is one in which the principal and/or interest is overdue for payment for a period more than 90 days). The final claim will be released by CGT after 3 years of recovery becomes time barred.

7.4Payment 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 percent up to Rs.50 lakh for North East Region and for limit above Rs.50 lakh up to Rs. 100 lakh is 1.5 percent in NER. For other places up to Rs. 5 lakh the upfront one time guarantee fee is 1 percent and above Rs.5 /-lakh up to Rs.100 lakh it is 1.5 percent. Annual service charges are uniform across the country, which is 0.50 percent up toRs. 5 lakh and beyond 0.75 percent up to Rs. 100 lakh.

7.5Awareness 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.

7.6 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.

7.7 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 percent and lowest it is 62.5 percent.

8. THE TWO VARIABLES RELATING RBI

Being the regulator, the instructions issued by RBI are being viewed as important for bankers, which are 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:

(i) Mandatory Lending Limit.
(ii) Non-Stipulation of Sub-Limit for MSEs lending under Priority Sector Lending (PSL).

8.1 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, RBI. 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 up to Rs.10 lakh without collateral securities. Banks are not permitted to obtain collateral securities from MSEs when the lending is within Rs.10 lakh.

8.2 Non-Stipulation of Sub-Limit for MSEs lending under PSL

Advances to MSEs shall be reckoned as forming part of the 40 percent of PSL advances stipulated, of which 40 per cent of the total advances 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 noted that there is no separate sub-limit for MSEs, which means that MSE lending is not mandatory for achieving PSL norms. It could be seen that for other segments like agriculture (18 percent), weaker section (10 percent) 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. As no sub-target is fixed for MSEs keeping a sub-limit for micro enterprises do not act as a compelling requirement.

9. RESULTS OF VALIDITY AND RELIABILITY OF THE NINE CO-EFFICIENT VARIABLES

The internal consistency of 9 variables are tested for consistency, of which 7 are from CGTMSE guidelines, 2 from RBI. 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 are having alpha value of 0.60 or above:

Table III: Alpha Value of Variables for 6 selected variables

Variables	Alpha Values
I. CGTMSE Guidelines	
(i) Non-Mandatory Lending	0.949
(ii) Approval	0.685
(iii) Guarantee Invoking Norms	0.871
(iv) Payment of Guarantee Fee	0.801
II. RBI Guidelines	

(v) Mandatory Lending Limit	0.733
(vi) Non-Stipulation of Sub-limit for MSEs Lending under PSL	0.993

Source: Computed from Primary Data

In social science exploratory research alpha of 0.60 is significant. So, the following three variables with alpha values over 0.60 are significant for reliability and consistency.

Table IV: Alpha Value of Variables for Three Selected Variables

Variables	Alpha Values
I. CGTMSE Guidelines	
(i) Awareness about the Scheme	0.652
(ii) Collateral	0.635
(iii) Extent of Cover	0.673

Source: Computed from Primary Data

10.MAJOR FINDINGS OF THE STUDY

10.1 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.. 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.

10.2 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 V: Z Test to find out Difference between Branch Managers and Credit Officers

Particulars	Category	Mean	S.D	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

Source: Computed from Primary Data

The value of Z is giveb by the equation $\boxed{\dfrac{(\bar{x}_1 - \bar{x}_2)}{\sqrt{\dfrac{s_1^2}{n_1} + \dfrac{s_2^2}{n_2}}}}$.

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.

11. CONCLUDING REMARKS

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 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 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 9 different variable consisting of 7 for CGTMSE guidelines& 2 for RBI. All the analysis proved that divergence in guidelines issued by CGTMSE, RBI, had contributed to poor growth of CGTMSE lending.

REFERENCES

1. TKANair(2010),Prime Ministers Task force on MSME,http://msme.gov.in /PM_ MSME_Task _Force_ Jan2010.pdf.
2. V. K. Sharma, 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.
3. DICGC (2009), 47th Annual Report of the Board of Directors for the year ended 31st March 2009, An Overview of DICGC Section.2.
4. Dinesh Rai, secretary in the micro, small and medium enterprises ministry, Economic Times 4th March 2010
5. Dr.K.C.Chakrabarty(2008), Working Group on 'Rehabilitation of sick SMEs'(2007), http://www.rbi .org.in/scripts/BS_PressReleaseDisplay.aspx?prid=18216.
6. 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
7. Dr.S.P.Gupta (1999), "Study Group on Development of Small Scale Enterprises" http://www.laghu-udyog.gov.in/sido/boardmeeting/46/agendaIV.htm
8. Economic Times, ASSOCHAM STUDY ON MSE, 2010.
9. 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
10. Indian Institute of Banking & Finance , Basics of Banking, Taxmann Publications (P) Ltd. New Rohtak Road, New-Delhi- 110 005, November 2005.
11. Indian Institute of Banking & Finance , Small And Medium Enterprises in India, Taxmann Publications (P) Ltd., New Rohtak Road, New-Delhi- 110 005, July 2008

12. Indian Institute of Banking & Finance, Financial Inclusion, , Taxmann Publications (P) Ltd., New Rohtak Road, New-Delhi- 110 005, November 2006.
13. Indian Institute of Banking & Finance, Bank Financial Management, Taxmann Publications (P) Ltd., New Rohtak Road,
14. Jonathan A Scott and Willian C Dunkellberg ,Competition for small firm banking business: Bank actions versus market structure:, Fox School of Business, Temple University, Philadelphia, USA.
15. Keshab Das, Micro and Small Enterprises in India, The Era of Reforms, 2010.
16. Ketaki Gokhale(2009) , The Wall Street Journal, December 15, 2009,As Microfinance Grows in India, So Do Its Rivals, http://online.wsj.com/ article/ SB126055117322287513.html
17. M.L.Tannan, Tannan's Banking Law & Practice in India, , Lexis Nexis Butterworths Wadha Nagpur, Connaught Place, New Delhi-110 001, Twenty First Edition – 2009,
18. Malcolm Harper, Practical Micro Finance- A Training Guide for South Asia, Vistar Publications (A division of Sage Publications India Pvt.Ltd), B 42, Panchsheel Enclave, New Delhi -110 007, 2003.
19. Mary Njeri Kinyanjui, Social Capital: Micro and Small Enterprises and Poverty Alleviation in East Africa, Organisation for Social Science Research, Ethiopia,2006.http://publications,ossrea.net/index. php?option =content&view=article&id=127
20. MSMED ACT 2006, Chapter III, Section 7(i)
21. 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
22. Nanda R (2008), Cost of External Finance and Selection into entrepreneurship, Harvard Business School, Working paper, http://hbswk.hbs.edu/item/5846.html
23. Nanda. R, Personal wealth & Entrepreneurship. Working Paper, Harward Business School, 2008.
24. Nandan Nilekani(2009): 'We Are on the Razor's Edge', Published: in Knowledge@ Wharton, http://knowledge.wharton. upenn.edu/ article.cfm? articleid=2290
25. Nayak Committee (1991), Committee to Examine the Adequacy of Institutional Credit to SSI Sector, http://dcmsme.gov.in/publications /comitterep/ nayak.html New-Delhi- 110 005, July 2004.
26. Ramana Nanda & William R.Kerr (2009) "Banking Deregulations, Financing constraints & Firm Entry Size" – Harvard Business School – Working Paper
27. 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
28. Ramana Nanda (2008)– "Encouraging Entrepreneurs: Lessons for Govt Policy" – Harvard Business School – Research & Ideas- March 10 2008
29. Ramana Nanda(2008)- "Cost of External Finance and Selection into Entrepreneurship" – Harvard Business School – Working Paper 30.1.2008
30. S.K.Bagchi(2008) "Bank Finance for Small & Medium Enterprises"- Jaico Publishing House, Mumbai – First edition .
31. 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
32. Sudhindra Bhat, Financial Management Principles and Practice, Excel Books, A-45 Naraina, Phase I, New Delhi-110 028, 2nd edition, 2008.
33. Tarun Khanna (2008) Billions of Entrepreneurs in China and India, Harvard Business School, Working knowledge http://hbswk.hbs.edu/item/5766.html
34. The Banker/IFAC Survey (2009), October Ist, 2009 www.ifac.org /financial-crisis/smp-sme-resources.php.
35. The Hindu, The Survey of Indian Industry, published by N.Ram, Kasturi Buildings, Anna Salai, Chennai-600002(Annual from 2000 – 2009)
36. 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
37. World Bank (2000)– "SME Issues" Vol.1.No.1 ,Nov 2000.
38. Y.V.Reddy, India and the Global Financial Crisis, Managing Money and Finance, Orient Blackswan Private Limited, Himayatnagar, Hyderabad, First Edition 2009.