1.1 INTRODUCTION

The Indian Banking Industry which was operating in a bureaucratic style prior to 1991 had to undergo large scale transformation with the opening of the economy. With the phenomenal increase in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. In today‟s changing world, retail trading, SME financing, rural credit and overseas operations are the major growth drivers for Indian banking industry

The MSME sector is an important pillar of Indian economy as it contributes greatly to growth of Indian economy with a vast network of around 30 million units, creating employment of about 70 million, manufacturing more than 6000 products, contributing about 45% to manufacturing output and about 40% of exports, directly and indirectly. This sector even assumes greater importance now as the country moves towards a faster and inclusive growth agenda. Moreover, it is the MSME sector which can help realize the target of proposed National Manufacturing Policy of raising the share of manufacturing sector in GDP from 16% at present to 25% by the end of 2022

In spite of their contribution, MSMEs in India face several challenges. They often need to keep pace with rapidly changing technologies and face the risk of becoming technologically obsolete. They also have to face high costs of credit and are usually unable to identify their key competitive strengths to maintain product standards and quality. MSMEs also need to deal with the issue of protection of their intellectual property and with the scarcity of skilled workers. Finally, studies on MSMEs have identified the importance of the availability of sources of finance and the accessibility to these sources as the most crucial factors to promote growth of MSMEs in developing economies.

Today MSME sector is playing a significant and vital role in the development of Indian economy. A catalyst for socio-economic transformation of the country, the sector is critical in meeting the national objectives of generating employment, reducing poverty, and discouraging rural-urban migration. These enterprises help to build a thriving entrepreneurial eco-system, in addition to promoting the use of indigenous technologies. The sector has also exhibited consistent growth over the last few years, but it has done so in a constrained environment often resulting in inefficient resource utilization. Of the many challenges impeding the growth and development of MSMEs, inadequate access to financial resources is one of the key bottlenecks that make these enterprises vulnerable, particularly in periods of economic downturn. In the overall value chain of different industries various firms are placed in critical positions. It is thus very much imperative to focus on those issues which impact the creation, growth and survival of the firms of the sector. Today in considering the development of MSME sector, role played by credit lending institutions is quite remarkable. Indian financial institutions and government has crucial contribution in development as well as promotion of MSME sector.

1.2 SIGNIFICANCE OF THE STUDY

Without any dispute we may consider that MSME are one of the key drivers behind the high growth rate of Indian economy. As the current global economic development rate is 3.40% to 3.80% whereas the India's growth rate is considered to be 7.80% (Department of Commerce; Gov of India). This sector, comprising of manufacturing, infrastructure, service industry, food processing, packaging, chemicals, and IT, has emerged as the most vibrant and dynamic engine of growth of Indian economy over the past few decades (CII Report, 2018). Further, according to CII-2019 there are 42.05 million MSME units are established in India either the registered or unregistered. Among the total employment 40% i.e 106 million jobs are procured by MSMEs in India. The sector is producing more than 6000 products and has the 45 % of the share in the total productivity of the country. Out of the total export value MSMEs share very much considerable with 40%. Though this sector is flourishing till the date the banks are lending only 16% to the MSME sector in India. It is required to understand much about the existing financial barriers to the MSMEs. Hence, this research thrown a light to understand the basic financial problems of the Indian MSME sectors. Furthermore, the study also focused to know the MSME entrepreneurs perceptions towards the various challenges faced by them while availing the finance facility from the different organizations

1.3 STATEMENT OF THE PROBLEM

Finance is required by all businesses for their operations and growth. It plays a dominant role in every economic activity and without adequate financial facilities no sound industrial base can be built up or reconstructed. Sufficient availability of funds leads to an organisation that can explore its option in all departments and have the best talent and resources available for its success. Funds are required to ensure that all activities in an organisation are running smoothly. The significance of availability of funds in functioning of the unit has led the researcher to study the factors that affect the ability of units in MSME sector to have access to funds, when required.

1.4 OBJECTIVES OF THE STUDY

- To evaluate the banking services provided to Small and Medium Enterprise customers
- To study the socio-economic profile of the entrepreneurs of MSME sector.
- To identify the reasons for preferring the public sector banks by the entrepreneurs of MSME Sector.
- To study the service quality of public sector banks in terms of entrepreneurs perspective
- To ascertain the awareness and satisfaction level of entrepreneurs on Public Sector Banks.

1.5 SCOPE OF THE STUDY

The scope of this research is confined to the certain emotions, feelings and gratifications which evoked by the challenges faced by the MSME entrepreneurs while availing finance to their organizations. The study is confined only to Kannur Districts of Kerala state in India.

1.6 LIMITATIONS OF THE STUDY

- This study highly relied on sampling techniques and hence sampling errors are expected
- A few of the entrepreneurs were reluctant to reveal all facts related to finance and other assets.
- The study has not covered the entire population
- It has been observed; during the survey, that some of the respondents have shown indifference in furnishing the data

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