

Impact of Lending Relationship on the Credit Repayment Performance among Micro, Small and Medium SME Enterprises in Tamil Nadu

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Abstract: *Relationship lending is regarded as a potentially vital instrument linking interests of borrowers with those of lenders through a screening mechanism that identifies reliable economic agents and selects the good from bad borrowers (Brown and Zehnder, 2006). Therefore lending relationship is also the influencing factor to the credit payment performance. The current study focus on the impact of lending relationship on the credit repayment performance in MSME. The registered 474 MSME owners of virudhunagar district are selected as the sample for the current study. The result reveals that there is the positive impact of lending relationship on the credit repayment performance.*

Keywords: *Relationship lending, credit payment performance, MSME owners.*

I. Introduction

Commercial banks are important for poverty alleviation and creating employment opportunity especially in developing countries like Tanzania. One of the key factors for profitability and sustainability of commercial banks is the presence of good timely loan repayment. This study provided information for a better understanding on the determinants of loan repayment from both side lender and loan beneficiaries. The primary advantage of this study is to establish a knowledge base that enables to make a sound decision and take corrective action. Thus, the study is of important to commercial banks stakeholders, policymakers and the community at large. The study explores and recommends potential areas that commercial banks need to put more efforts when demanding loan repayment from its clients. On other hand, policymakers also benefited in the sense that, the findings will provide informed suggestions on how policy can be improved, with easy implementation. The Government also could use the findings of this research study to formulate better approach for country economy, for instance, to control inflation by setting the maximum and minimum amounts for all loans that have direct impact to the economy. More the study enables the community at large to understand the business and loan related factors that influence loan repayment and hence access and benefit from the services offered by existing commercial banks.

The special role performed by lending banks has led economists to develop the concept of relationship lending" during the nineties. Several authors provide complementary definitions. Onega and Smith (2000a) denote a bank relationship to be the connection between a bank and a customer that goes beyond the execution of simple, anonymous, financial transactions". Boot (2000) also provides a definition of relationship banking as \the provision of financial services by a financial intermediary that: (i) invests in obtaining customer-specific information, often proprietary in nature; and (ii) evaluates the probability of these investments through multiple interactions with the same customer over time and/or across products". More recently, Elsas (2005) denotes relationship lending as \a long-term implicit contract between a bank and its debtor" and Freixas (2005) as the investment in providing financial services that will allow to repeatedly deal with the same customer".

Relationship lending is regarded as a potentially vital instrument linking interests of borrowers with those of lenders through a screening mechanism that identifies reliable economic agents and selects the good from bad borrowers (Brown and Zehnder, 2006). Economic contracts involving relational issues have economic viability to the extent that all parties to a financial contract gain from the lending relationship (Berger *et. al.*, 2001). Lenders have an incentive to utilize greater relationships in the lending process to take advantage of the information generated in the process and the resultant reduction in monitoring. On the other hand, loyal borrowers are given the opportunity to establish the necessary reputation required for loan availability and accessibility (Orebiyi, 2002). Further, because it is not necessary to undertake explicit contracting in linking lending, bureaucratic procedures associated with verification of documents and collateral requirements are reduced.

Current financial literature points out that organizations that emphasize stronger and long-lasting relationships with consumers often perceive this to be a core element of the services they offer (Ongena and

Smith, 2000). Recent studies indicate that relational strategies seek to address closer and more cooperative relationships with customers (Nguyen, 2007). Lending relationships are viewed as a form of lender-borrower interactions including partnerships, collaborative linkages and alliances. Further, establishment of these relationships is viewed as an indicator that markets are evolving from emphasis on mere transaction oriented marketing where firms carried out transactions without prior consideration of consumer desires, to emphasis on relation-oriented marketing involving aggressive, integrated, goal-oriented, and systematic pursuit of customers (Hendriske and Veerman, 2001). The significant aspect of these relationships is that firms have a greater bargaining power, and so generate potential for greater competition by capturing a greater share of the market.

II. Measurement Of The Concepts

According to the conceptual framework, borrower character affected the relationship during the lending process between the borrowers and bank loan officers which in turn affected the loan repayment performance of the bank (recovery rate, portfolio growth and portfolio quality). From the model borrower character was measured according to borrower values, attitudes, experiences and beliefs was measured according to trust and commitment and loan repayment was measured according to recovery rate, arrears rate and portfolio at risk.

Borrower character on loan repayment

Consumer character is rarely the result of a single motive. Several factors combine to make one buy or consume a product or service; or a borrower to promptly repay or default repayment of a facility. Character primacy theory holds that, common character results mainly from an individual's interactions with the environment (Nguyen, 2007).

As the environment changes, individuals tend to cope by changing their character. Thus bank borrowers' character is determined by economic, cultural, social, psychological, personal and political factors: Economics was the first discipline to construct a specific theory of buying character. The Marshallian Economic theory postulates that consumers strive to maximize their utilities and do this by consciously calculating the consequences of any (purchase) decision. The key economic factors that influence borrower character are income, expenditure patterns, cost of investment project, and marketing success of the project (Kon and Storey, 2003). Expenditure pattern refers to the relative extravagance of the borrower in spending. The higher the extravagance, the higher the chances of borrowing and defaulting. The need for borrowing and the amount of loan needed depend on the cost of the project for which the credit is sought.

A person's culture arguably, exerts the broadest influence on his or her character. Lazer and Cull defined culture as the learned patterns of symbolism and character that are passed from one generation to the next; it represents the totality of values that characterize a society. Kon and Storey (2003) asserted that people live in a cultural milieu that embraces their history, values, morals, customs, art, and language. Kotler' also identified four types of sub-cultural influences on consumers as nationality groups, religious groups, racial groups, and geographical areas (Orebiyi, 2002). Social psychologists view the social environment as the chief determinant of cognitive structure as well as of perceptual bias. Cognition is the process by which we make sense of the things we perceive. Man, as a social being, is often influenced by other persons and by a group he belongs or aspires to belong to (Nguyen, 2007). These may include family members, friends, neighbours, office colleagues, reference groups, social roles, statuses, etc. The fear of being ostracized by church or club members or reference groups could motivate a borrower to repay a facility. Conversely, bad friends and neighbours could influence one to default repayment of facility extended to him or her. Such psychological factors in a certain way as motivation, perception, learning, beliefs and attitude have profound impact on consumer character (Kon and Storey, 2003). A motive is a need that is sufficiently pressing to drive the person to act. Thus, needs give rise to drives which energize motives which then stimulate character. Many psychologists have developed theories of human motivation. Abraham Maslow propounded the hierarchy of needs theory which sought to arrange human needs into physiological, safety, social, esteem and self actualization and which shows that people are motivated at different times by these different needs. Sigmund Freud in his psycho-analytic theory assumes that the real psychological forces shaping people's character are largely complex and unconscious even to the individual himself.

Relationship lending

Relationship lending is regarded as a potentially vital instrument linking interests of borrowers with those of lenders through a screening mechanism that identifies reliable economic agents and selects the good from bad borrowers (Brown and Zehnder, 2006). Economic contracts involving relational issues have economic viability to the extent that all parties to a financial contract gain from the lending relationship (Berger et. al., 2005). Lenders have an incentive to utilize greater relationships in the lending process to take advantage of the information generated in the process and the resultant reduction in monitoring. On the other hand, loyal borrowers are given the opportunity to establish the necessary reputation required for loan availability and

accessibility (Orebiyi, 2002). Further, because it is not necessary to undertake explicit contracting in linking lending, bureaucratic procedures associated with verification of documents and collateral requirements are reduced. Loan repayment was measured based on the item scale adapted from Orebiyi, (2002). The items in the domain was scored on the 5 point Likert scale ranging from strongly disagree (1) to strongly agree (5). Closed questionnaire was developed in harmony with the guidelines specified by Sekaran (2000).

III. Statement Of Problem

SMEs all over the world have been playing a crucial role in promoting economic development as well as industrial production. SME financing has been identified as a major obstacle to SME growth. Unfortunately, the issue seems to be as unresolved as it always has been. Though the majority of the issues are with the SME themselves, the banks also have major issues in designing financial products for the SMEs. Lack of adequate financial resources places significant constraints on SME development. Cook and Nixon (2000) Small enterprises do not know factors financial institutions take into consideration before lending to its customers. Financial institutions generally do not lend to whoever would be willing to pay higher interest rates, because doing so would attract riskier borrowers. They have ways of checking credit worthiness of their customers. They lend to businesses, which they are convince that they have the ability to repay the loan (Ocansey, 2006). It has been observed that a key factor that makes the SMEs unable to access financial assistance was the lack of understanding in the operations of banks and vice versa. Consequently, in effect SMEs suffer from the frustration of delay in accessing bank credits or denied completely. Therefore to borrowers individually has to develop lending relationship with the banks in order to increase the credit repayment performance.

IV. Review Of Literature

Luasha, Edmund (2009) in his study analyzed the factors that impede repayment of finance loans in commercial banks with evidence from National Micro Finance Bank (NMB) came up with the findings which indicate that, the speed of loan repayment was low and borrowers failed to meet conditions stipulated in loan contract forms by delaying to pay loans. Findings also indicate that, loan defaults were due to, poor business performance, high interest rate, cheating by customers on purpose of the loan and poor loan supervision.

Reta, F.K. (2011), conducted a study with the objective of analyzing and identifying the factors that influence the loan repayment performance. Age and five business types (baltina & petty market, kiosk & shop, services providing, weaving & tailoring and urban agriculture) were important in influencing loan repayment performance of the borrower. In addition, sex and business experience of the respondents were found to be significant determinants of loan repayment rate.

Sangoro, Ochieng and Bureti (2012) revealed that the main factors affecting loan repayment includes social responsibilities such as the feeding of children, paying of rent, hospital bills, and the number of households members. The study recommended that the banking sector should review the interest rates, the terms and conditions, the loaning requirements and the repayment duration to help in timely repayment of available loans. Suraya et al., (2012) used the login regression model to identify the determinants of micro credit loan repayment. The important determinants are mode of repayment and repayment amount.

Godquin (2014) suggests that the provision of non-financial services such as training, basic literacy and health services has a positive impact on repayment performance.

Febr and Zehuder (2015) identified the importance of credit reporting on the borrowers' repayment behaviour in the loan market.

Jemal (2013) noticed that education, income, loan supervision, sustainability repayment period, availability of other credit sources and livestock have a significant impact on the repayment performance among the famous.

Research Gap: Even though, there are so many studies related to the repayment behavior and the trend of repayment of loans among the borrowers, there is no exclusive study on the relationship lending and repayment performance among the MSMEs in Virudhunagar District.

Objectives of The Study

The general objective of this study was to analyze and identify the major determinants of loan repayment behaviour among respondents in commercial banks at Kamarajar District.

- 1) To reveal the profile of the respondents;
- 2) To identify the level of relationship lending among the respondents and its difference with the profile of the respondents;
- 3) To examine the impact of lending relationship on loan repayment behaviour of the respondents;

Hypothesis of The Study

Based on the objectives of the study, the following null hypotheses were drawn: These are:

1. There is no significant difference among the respondents in micro, small and medium enterprises regarding their view on various aspects in relationship lending and repayment performance.
2. There is no significant difference among the profile of respondents and relationship lending.
3. There is no significant impact of relationship lending on the repayment performance among the respondents.

Limitations of The Study

1. Respondents may have withheld information due to fear of being victimized.
2. The included MSMEs in the present study are the registered units at the DIC, Virudhunagar district
3. Unwillingness of respondents to fill questionnaires.

V. Research Methodology

Research Design: In undertaking this study, a case study design was adopted which aimed at finding out the determinants of loan repayment in commercial banks at Virudhunagar District in Tamil Nadu was chosen as a case study for this research study. The commercial banks were chosen because the researcher wants to establish a definitive cause and effect relationship, since this research was keen on describing more factors that were undoubtedly causing the problem.

Study Area: The study will be carried out at commercial banks, located in Virudhunagar District, Tamil Nadu. The selection of the study area was based on various reasons. First, almost all data concerned loan repayments in banks are almost the same to all kinds of commercial banks exist in the country. Also, the Banks are actively involved in the field of credit in the development of MSMEs in this district.

Sampling Techniques: Under this section of the study, sampling consists of sampling unit, sample size and sampling methods.

Sampling Unit: In this research study, just units from the MSME were chosen for the purpose of generating required information. The respondents who run or own the units are treated as the sampled respondents.

Population of the Study: The population of the study is the present studies are the registered MSMEs which availed bank loans in the Virudhunagar District during 2014-2015. The district was divided into eight taluks whereas the units are classified into micro, small and medium enterprises. In total, there are 1668 registered MSMEs in the Virudhunagar district. Out of which 88.07 per cent are micro enterprises whereas 6.71 and 5.22 per cent of the units are small and medium units respectively. The number of units at Sivakasi and Virudhunagar Taluk constitute 21.76 and 19.78 per cent to its total respectively. The lesser number of units are seen in the case of Kariapatti and Tiruchuli blocks which constitute 5.99 and 7.19 per cent to the total respectively.

Determination of Sample Size: The sample size of the present study is determined by the given formula.

$$n = \frac{N}{Ne^2 + 1}$$

Whereas n – sample size; n- population; e- error of acceptance.

The numbers of samples in micro, small and medium enterprises are determined with the above said formula. The sample size of micro enterprises determined by the formula in the present study is 315 units whereas, in the case of small units, it is 88 units. In case of medium units, the determined sample size is 71 units. The total sample size included for the study is 474.

Distribution of Sample Size: The stratas included for the present study are type of the units and the name of the Taluk. The stratified proportionate sampling was adopted to distribute the sampled units. The higher number of micro enterprises are selected as the sample units in the present study since its population is higher compare to other type of units. The higher numbers of total units are noticed in Sivakasi and Virudhunagar Taluk since its populations are higher. The random sampling method especially the lottery method was adopted to identify the sample in each stratum. Hence, the applied sampling is stratified proportionate random sampling.

Data Collection Technique: The required data was collected with the help of structured questionnaire. A special care was taken to design the questionnaire since the study is completely based on the primary data. The questionnaire was divided into three important parts. The first part covers the profile of the borrowers and their borrowing behaviour whereas the second part includes the borrower character and relationship lending among the respondents. The third part includes the repayment performance. The related variables in the above said concepts were drawn from reviews. A pilot study was conducted among 10 each in micro and medium enterprises at Sivakasi. Based on the feedback, certain modifications and deflections and implications were carried out to design the final draft of the questionnaire. The questionnaire was sent through the post to the addresses collected from the DIC. The final sample included for the study came to 181 units. Out of 181 units 67.95 and 19.34 per cent units in micro and small in nature whereas the remaining 12.71 per cent medium in nature. The number of units in Sivakasi and Virudhunagar Taluk constitute 22.65 and 19.39 per cent to the total of 181 units. The minimum of units are seen in Kariapatti and Tiruchuli which constitute 5.52 and 7.18 per cent to the total 181 units.

VI. Results And Discussions

Demographic profile of the respondents

The respondents in the present study are classified into the respondents in micro, small and medium enterprises.

Table 1: Demographic profile of the respondents

Nature	Number of Units	Per cent to the Total
Micro	123	67.96
Small	35	19.34
Medium	23	12.7

Interpretation

The number of respondents in micro enterprises is higher than the respondents in other two group of respondents. 67.96% of the respondents of micro enterprises are higher than the small and medium enterprises.

Table 2 Demographic profile of the respondents

Demographic profile	Categories	Number of respondents in			Total
		Micro	Small	Medium	
Gender	Male	78	21	17	116
	Female	45	14	6	65
	Total	123	35	23	181
Age	Below 30 years	17	2	2	21
	30 – 40	47	8	4	59
	41 – 50	36	11	10	57
	Above 50	23	14	7	44
	Total	123	35	23	181
Level of Education	Primary education	36	5	2	43
	Secondary/Higher Secondary	49	8	4	61
	Under-graduation	32	16	7	55
	PG / Technical	6	6	10	22
	Total	123	35	23	181
Occupational Background	Agriculture	46	2	1	49
	Trade	34	8	3	45
	Industry	11	16	11	38
	Government Service	8	5	3	16
	Private Service	24	4	5	33
	Total	123	35	23	181

Interpretation

The important gender among the respondents is male which is dominant in all three type of enterprises. The dominant age group among the respondents in 30 to 40 years. The most important age group among the respondents in micro, are 30 to 40. The dominant level of education among the respondents is secondary & higher secondary. The dominant occupational background of the respondents are agriculture and trade.

Important Factors in Relationship Lending (IFRL)

The score of all 28 variables in relationship lending have been included for factor analysis in order to narrate the variables into factors. Initially, the validity of data for factor analysis have been tested with the help of KMO measure of sampling adequacy and Bartlett's test of sphericity. Both these two tests satisfy the validity of data for factor analysis. The executed factor analysis result in four important factors (IFPL). The eigen value and the per cent of variation explained by these IFRLs are presented in Table 3

TABLE 3: Important Factors in Relationship Lending (IFRL)

SL.N o.	IFRL	No. of Variables	Eigen value	Per cent of variation explained	Cumulative per cent of variation explained
1.	Trust	9	5.9844	21.37	21.37
2.	Commitment	8	5.3897	19.25	40.62
3.	Access	6	4.5084	16.10	56.72
4.	Co-operative concern	5	3.9117	13.97	70.69
	Total	28			
KMO measure of sampling adequacy: 0.7507.				Bartlett's test of sphericity: Chi-square value: 72.09*	

Interpretation

The first two variables in Relationship Lending are trust and commitment since its eigen values are 5.9844 and 5.3897 respectively. The per cent of variation explained by Trust and commitment are 21.37 and 19.25 per cent respectively. The per cent of variation explained by these two factors are 21.37 and 19.25 per cent respectively. The last Relationship Lending identified by the factor analysis are access and co-operative concern since it's eigen values are 4.5084 and 3.9117 respectively. The per cent of variation explained by these two factors are 16.10 and 13.97 per cent respectively. The narrated by four IFPL explain the 28 variables in RL to an extent of 70.69 per cent. These four IFRL have been included for further analysis.

Reliability and Validity of variables in Important Factors on Relationship Lending

The score of variables in each Relationship Lending have been included for confirmatory factor analysis in order to examine the reliability and validity of variables in each Relationship Lending. It results in content and convergent validity in each Relationship Lending. The overall reliability of variables has been estimated with the help of cronbach alpha. The results are given in Table 4

TABLE 4: Reliability and Validity of variables in Important Factors on Relationship Lending

Sl. No.	IFRL	Range of Standardized factor loading	Range of 't' statistics	Cronbach alpha	Composite Reliability	Average Variance Extracted
1.	Trust	0.9063 – 0.6244	4.0886* - 2.2804*	0.8104	0.7896	55.41
2.	Commitment	0.8676 – 0.6596	3.7982* - 2.4664*	0.7673	0.7402	53.09
3.	Access	0.9844 – 0.6117	4.1923* - 2.1493*	0.8296	0.8017	56.94
4.	Co-operative concern	0.8907 – 0.6094	3.8914* - 3.0896*	0.7797	0.7524	53.91
	Overall	0.9124 – 0.6271	4.1127* - 2.3704*	0.8119	0.7909	56.05

*Significant at five per cent level.

Interpretation

The standardized factor loading of variables in each Relationship Lending are greater than 0.60 which reveals the content validity. The significance of 't' statistics of the standardized factor loading of variables in IFRL reveal it's convergent validity. It is also proved by the composite reliability and average variance extracted since these are greater than it's minimum threshold of 0.50 and 50.00 per cent respectively. The cronbach alpha of all four variables are greater than it's minimum threshold of 0.60. All these results indicate the reliability and validity of variables in each are validated and reliable.

Respondent's view on important factor of Relationship Lending

The level of view on **Relationship Lending** among the respondents have been discussed with the help of the mean scores of all threemicro small and medium among the respondents. The score of each **Relationship Lending** is derived by the mean scores of the variables in each IFRL. The mean scores of each IFRL among the three group of respondents have been computed separately along with it's 'F' statistics. The results are given in Table 5.

TABLE – 5: Respondents view on Relationship Lending

Sl. No.	Variables in IFRL	Mean scores among respondents in			F- statistics
		Micro	Small	Medium	
1.	Trust	2.6692	3.0839	3.5235	3.0493*
2.	Commitment	2.5851	3.1718	3.6894	3.1709*
3.	Access	2.7973	3.2081	3.4314	2.2917
4.	Co-operative concern	2.4935	2.9509	3.6453	3.3886*
	Overall	2.6414	3.1119	3.5729	3.1137*

* Significant at five per cent level.

Interpretation

Among the respondents in micro enterprises, the highly viewed Relationship Lending's are access and trust since it's mean scores are 2.7973 and 2.6692 respectively. Among the respondents in small enterprises, these two are access and commitment since its mean scores are 3.8081 and 3.1718 respectively. Among the respondents in medium enterprises, these two are commitment and co-operative concern since it's mean scores are 3.6894 and 3.6453 respectively. Regarding the level of view on Relationship lending, the significant difference among the three group of respondents have been noticed in the case of three out of four 'F' statistics are significant at five per cent level. In total, the level of relationship lending is higher among the respondents in medium enterprises than that among the respondents in small and micro enterprises.

Difference between the Profile of Respondents and their view on IFRL

Since the profile of the respondents may be associated with their level of view on IFRL, the present study has made an attempt to examine it with the help of way analysis of variance. All the eight profile variables and their score on four IFRL have been included for the analysis. The results are shown in Table 6.

TABLE 6: Difference between Profile of Respondents and their view on IFRL

Sl. No.	Profile Variables	F-Statistics in			
		Trust	Commitment	Access	Co-operative concern
1	Gender	3.1149	3.3086	3.5288	3.6881
2.	Age	2.4691	2.5884	2.9117*	2.8446*
3.	Level of education,	2.8864*	2.7337*	2.8081*	2.5081
4.	Occupational background	2.5041*	2.1173	2.0996	2.6089*
5.	Nature of previous experience	3.6682	3.5084	3.1143	3.0884
6.	Years of experience	2.7674*	2.8083*	2.3089	2.5189
7.	Location of the units	3.6684*	2.5089	2.9176	3.2848*
8.	Type of sector of the units	2.9697	3.1184*	3.0887*	2.5144

*Significant at five per cent level.

Regarding the level on trust, the significant difference between the profile variables are level of education, occupational background, years of experience, location of the unit whereas in the level of commitment, these profile variables are level of education, years of experience and type of sector of the unit since their respective ‘F’ statistics are significant at five per cent level. The significantly differing profile variables regarding the level of access are age, level of education and type of sector of the unit whereas in the level of co-operative concern, these profile variables are age, occupational background and location of the unit since it’s ‘F’ statistics are significant at five per cent level.

Impact of Relationship Lending on the Repayment Performance among the Respondents

The relationship lending may have its own influence on the repayment performance among the respondents, the present study has made an attempt to examine it with the help of multiple regression analysis. The fitted regression model is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Whereas

Y – Score on repayment performance

X₁ – Score on trust

X₂ – Score on commitment

X₃ – Score on access

X₄ – Score on co-operative concern

b₁, b₂, b₃, b₄ – regression co-efficient of independent variables

a – intercept and

e – error term

The impact of relationship lending on the repayment performance among the respondents in micro, small and medium enterprises have been computed separately along with the analysis on pooled data. The results are presented in Table 7.

TABLE 7: Impact of Relationship Lending on Repayment Performance

Sl. No.	Relationship Lending	Regression co-efficient among respondents in			
		Micro	Small	Medium	Pooled data
1	Trust	0.0941	0.1393*	0.1804*	0.1411*
2.	Commitment	0.1024	0.0994	0.1911*	0.1133
3.	Access	0.1345*	0.1089	0.2408*	0.1709*
4.	Co-operative concern	0.1172	0.1789*	0.2044*	0.1842*
	Constant	0.2733	0.4903	0.7032	0.6247
	R ²	0.6547	0.7394	0.7949	0.8171
	F-Statistics	7.3803*	7.9089*	8.9088*	8.9892*

*Significant at five per cent level.

Interpretation

The significantly influencing important factors in relationship lending on the repayment performance among the respondents in micro enterprises is access since it’s regression co-efficient is significant at five per cent level. A unit increase in the level of access result in an increase in the level of repayment performance by 0.1345 unit. The changes in the level of relationship lending explain the changes in the repayment performance to an extent of 65.47 per cent since its R² is 0.6547.

Among the respondents in small enterprises, the significantly influencing factor in relationship lending on their repayment performance are trust and co-operative concern. A unit increase in the level of on trust and co-operative concern result in an increase in the level of repayment performance by 0.1393 and 0.1789 units respectively. The changes in the level o relationship lending explain the changes in the repayment performance to an extent of 73.94 per cent since it's R^2 is 0.7394.

Among the respondents in medium enterprises, all the four factors in relationship lending have a significant impact on repayment performance. A unit increase in the level of factors in relationship lending result in an increase in their repayment performance by 0.1804, 0.1911, 0.2408 and 0.2044 units respectively. The changes in the level o relationship lending explain the changes in their repayment performance to an extent of 79.49 per cent since it's R^2 is 0.7949. The analysis of pooled data reveals the relative importance of trust, access and co-operative concern in the determination of the repayment performance of the respondents.

VII. Summary Of Findings

The majority of the 67% of the respondents are from the micro enterprises. The important gender among the respondents is male which is dominant in all three type of enterprises. The dominant age group among the respondents in 30 to 40 years. The most important age group among the respondents in micro, are 30 to 40. The dominant level of education among the respondents is secondary & higher secondary. The dominant occupational background of the respondents are agriculture and trade. The significantly influencing factors in relationship lending on the repayment performance among the respondents in micro enterprises is access whereas in small enterprises, these are trust and co-operative concern. Among the respondents in medium enterprises, all the four factors namely trust, commitment, access and co-operative concern significantly influence on the repayment performance. The rate of impact of relationship lending is noticed as higher among the respondents in the enterprises than that among the respondents in small and micro enterprises. In total, the important factors influences on the repayment performance are co-operative concern and access.

VIII. Suggestions

The analysis reveals that the important relationship lending among the micro and other entrepreneurs are experiences and commitment. The banks are advised to taken essential step to provide better experiences to their customers though their committed staffs; it can minimize the defaulters especially among the micro enterprises.

Enrichment of Borrowers Character: Since the borrowers' character is very important to determine their repayment performance, the commercial banks are advised to provide non-financial services like training, counseling and awareness programmes to enrich the borrowers characters apart from their financial lending.

Focus on Commitment: If the entrepreneurs perceive that the bankers are highly committed, they also try to discharge their duties in a perfect manner which results in better repayment performance. Hence, the bankers are advised to train their employees to deliver the committed services to their customers.

Creation of Access to All: Majority of the micro entrepreneurs feel that the access of banks and banking activities are not for their reach. It generate negative result in their repayment performance. Hence, the access to bank, bank staffs and banks services have to be increased by the bank management in order to reduce their non-performing assets in banks.

Mutual Co-operative Concern: Since one the important factors in relationship lending which positively influence on the repayment behaviour among the respondents, it is essential to focus on the mutual co-operative concern among the customers and bank staffs. It can be reacted by providing emphasized services and also the sense of belongingness among the customers and bank staffs towards their banks.

Special Care on Micro Enterprises: The analysis reveals that the important discriminant business character and relationship lending among the micro and other entrepreneurs are experiences and commitment. The banks are advised to taken essential step to provide better experiences to their customers though their committed staffs, it can minimize the defaulters especially among the micro enterprises.

IX. Conclusion

The present study conclude that the borrowers lending relationship and credit repayment performance among the respondents in micro enterprises is lesser compared to the respondents in small and medium enterprises. Relationship lending has a significant impact on the repayment performance among the respondents where the higher impact is seen among the respondents in medium enterprises. Therefore the lending relationship should be promoted by the banks through some awareness and training programmes, the banks can enrich the repayment performance even among the respondents in micro enterprises.

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IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with SI. No. 4481, Journal no. 46879.

Dr.V.Ramanujam. "Impact of Lending Relationship on the Credit Repayment Performance among Micro, Small and Medium SME Enterprises in Tamil Nadu ." *IOSR Journal of Business and Management (IOSR-JBM)* 19.7 (2017): 07-15.