

A STUDY INVESTIGATES THE DIFFERENCE ON DEMOGRAPHIC FACTORS OF BORROWERS TOWARDS CREDIT REPAYMENT BEHAVIOUR

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Abstract

Most banks have experience to a varying degree problem of non-performing loans some of which have been closed down by regulatory authorities. This in turn led to contraction of activities, decline in output, and imposition of substantial costs on loans. This study sought to find out how demographic characteristics of borrowers affect credit repayment performance in MSME. The purpose of this study was to investigate the effects of demographic characteristics on credit repayment performance of MSME in virudhunagar district. The study was conducted through descriptive research design; a survey method was employed and the study population comprised of 474 registered MSME in virudhunagar district. Data was collected by means of a self-administered questionnaire. The data was subsequently analyzed using quantitative techniques of descriptive statistics and regression analysis. The study found that there is no relationship between the demographic characteristics of borrowers and the credit repayment performance of MSME.

Keywords: *demographic characteristics, credit repayment performance, MSME*

INTRODUCTION

Lending to Micro and Small Medium sized Enterprises (MSMEs) is crucial for economic and social development on one hand, it is deemed to be highly riskier as lending decision on MSME sector is characterized by higher asymmetry of information particularly in developing economies on the other. Through asymmetric information between borrowers and lenders is a general feature of all credit markets around the globe, it is acute in MSME segment as information assisting default prediction are not often adequately, reliably and fairly disclosed by the MSMEs. Lending decisions of financial institutions are not hence simply characterized by just the demand of borrowers for credit but it is a matter of comprehensive investigation of potential clients' credit repayment behaviours. Though, the evaluation of creditworthiness of the SME borrowers in particular is thus an important concern of all lending organizations, SMEs particularly in developing countries pose huge challenge for lenders in prediction of their credit worthiness as they are in informational opaque market. Therefore the research sought to investigate the credit repayment behaviour of the MSME borrowers in Virudhunagar district. The question of repayment of credit is one of an important questions in finance and commercial banks involved in credit transactions (Roslan and Karim, 2009) since the borrowers are predominantly the poor and the lower income group, where most of them are self-employed and without having any collateral assets. Their lack of financial records, limited credit history and lack of assets for collateral has made lending to them not only costly but also very risky since it involves high screening, monitoring and enforcement costs. The participation of commercial banks in offering credit services and other types of loans raises the question on how can commercial banks ensure good repayment rates of their credit program. This is an important question since the way commercial banks operate is somewhat different from other financial.

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 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).

LITERATURE REVIEW

Berger and Udall (2006) categorized lending technologies into two types which are transactions lending that is based primarily on “hard” quantitative data and relationship lending, which is based significantly on “soft” qualitative information and it is designed to address information problems that are not feasible or cost-effectively solved by the other technologies.

Under this categorization, transactions lending is generally viewed as being focused on informational transparent borrowers, while relationship lending is seen as used for informational opaque borrowers. Relationship lending is the one which is often identified as most feasible approach when it comes for the small business loan environment. Various lending technologies and credit risk prediction models are sought for the prediction of risk factor in a SME lending decision primarily based on the information pertinent to the organization and its business and governance. Thus, such lending technologies and risk models evolve around the business and the organization corresponding to the borrower/s. However, the studies on credit repayment behaviour appear to investigate creditworthiness of borrowers primarily based on information that may characterize the borrowers’ attitudes about loan repayment. Thus, studies on credit repayment behaviour evolve primarily around the personal and environmental factors that might have influence on borrowers’ attitudes on repayments. Reza and Mansoori (2008) showed that farmer’s experience, income, received loan size and collateral value have positive effect on the repayment performance whereas the interest rate, application cost, and because of loan have a negative effect on repayment performance of borrowers

Roslan and Karim (2009) argued that group lending reduces not only the problems of moral hazard but also provides the incentive for peer-monitoring or peer-pressure among members, which leads to good rates of repayment of loan.

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.

Richard, O (2011) revealed that a combination of factors affected loan recovery; these included natural calamities, and high interest rate which made loan repayment difficult. It also observed that credit terms such as interest rate, size of the loan and credit period could affect profitability of the firm.

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 household 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 logit 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.

Loans taken from commercial banks vary from country to country, region to region, sector to sector. But most credits of developing countries were found to share one common characteristic: suffer from a considerable amount of default rate (Kashuliza,1993).

Moreover, there are many socio-economic and institutional factors influencing loan repayment in the banks. The size and maturity of loan, interest rate charged by the lender and timing of loan disbursement have also an impact on the repayment rates (Oke, et al, 2007). The main factors from the borrower side include socio-economic characteristics such as, gender, educational level, marital status and household income level and peer pressure in group based schemes.

It is thus important to investigate and provide empirical evidences on the determinants of the loan repayment in banks specifically commercial banks, so that we can better understand the common reasons for good loan repayment and hence provide some guidelines to increase the probability of success and good performance of lending program (in terms of repayment of the loan) carried out by the commercial banks. This research study was attempted to offer an insight into this matter.

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 borrowers; character 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 Virudhunagar District.

- 1) To validate the reliability of credit repayment performance of the respondents
- 2) To examine the level of credit repayment performance among the respondents and its difference with the profile of the respondents;
- 3) To analyse the level of repayment performance among the respondents; and
- 4) To analyze the impact of borrowers characters on their repayment performance of the respondents.
- 5)

LIMITATIONS OF THE STUDY

The present study is subjected with the following limitations.

- 1) The included MSMEs in the present study are the registered units at the DIC, Virudhunagar district
- 2) Most respondents seemed to be too busy to cooperate in filling the questionnaires.
- 3)

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 borrowing behavior, borrowers' character, and relationship lending and repayment performance.
2. There is no significant impact of borrowers' character, relationship lending on the repayment performance among the respondents.
- 3.

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 Tamilnadu 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, Tamilnadu. 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 study 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 strata. 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 abovesaid 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 simplifications 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.

ANALYSIS AND INTERPRETATION

Reliability and Validity of variables in Repayment Performance (RP)

The score of all 13 variables in RP have been included for confirmatory factor analysis (CFA) in order to examine the reliability and validity of variables in it. The CFA has accepted only 10 variables whereas the remaining three variables are dropped from the measurement of repayment performance since its standardized factor loading are lesser than the standard minimum of 0.60. The CFA results in content and convergent validity. The overall reliability of variables in RP has been estimated with the help of cronbach alpha. The results are shown in Table1.

TABLE 1: Reliability and Validity of variables in RP

<i>Sl. No.</i>	<i>Variables in RP</i>	<i>Standardized factor loading</i>	<i>‘t’ statistics</i>	<i>Cronbach alpha</i>	<i>Composite reliability</i>	<i>Average variance extracted</i>
1.	Settle the repayments on due date	0.9249	4.1088*	0.8244	0.7991	56.77
2.	Focus on single lender	0.8908	3.9173*			
3.	Cautions on information on loan and repayment	0.8872	3.5908*			
4.	Never accumulate the arrears of repayment	0.8544	3.3996*			
5.	Equalize the business and financial risk	0.8097	3.0117*			

6.	Regularity in repayment of monthly dues	0.7544	2.6804*		
7.	Never depend more on debt financing	0.7311	2.5996*		
8.	Keep up the credit balance to settle repayment	0.6944	2.4917*		
9.	Timely repayment of loan	0.6503	2.3918*		
10.	Adjust my business activities to repay debt	0.6317	2.2796*		

*Significant at five per cent level.

The standardized factor loading of variables in RP are greater than 0.60 which reveals the content validity. The significance of ‘t’ statistics of the standardized factor loading of variables in RP reveal its convergent validity. It is also proved by the composite reliability and average variance extracted since these are greater than its standard minimum of 0.50 and 50.00 per cent respectively. The included 10 variables in RP explain it to an extent of 82.44 per cent since its cronbach alpha is 0.8244.

Mean score and difference of Repayment Performance (RP) Among the Respondents

The repayment performance among the respondents in the present study is measured with the help of 13 variables. The respondents are asked to rate these 13 variables at five point scale. The mean scores of each variable in RP among the respondents in micro, small and medium enterprises have been computed separately along with its ‘F’ statistics. The results are given in Table 2.

TABLE 2
Respondents view on variable in Repayment Performance (RP)

Sl. No.	Variables in RP	Mean scores among respondents in			F- statistics
		Micro	Small	Medium	
1.	Regularity in repayment of monthly dues	2.6563	3.1173	3.7384	3.2676*
2.	Timely repayment of loan	2.5088	3.2676	3.8084	3.3844*
3.	Keep up the credit balance together repayment	2.4124	3.0997	3.5979	3.1703*
4.	Settle the repayment on due date	2.5503	3.2676	3.6894	3.0996*
5.	Never accumulate the as sears of	2.3399	3.0886	3.5969	3.2894*

	repayment				
6.	Focus on single lender	2.2996	2.9979	3.3141	3.1171*
7.	Using of loan is for account purpose	2.7084	3.2667	3.5089	3.0143*
8.	Adjust my business activities repay left	2.4117	3.1178	3.6073	3.2909*
9.	Contain on information loan and repayment	2.5908	3.3082	3.7141	3.2344*
10.	Never depend more on debt financing	2.4909	3.2996	3.7144	3.4174*
11.	Never accept high financial average	2.6886	3.3088	3.6089	3.3088*
12.	Equalize the business versus final risk	2.4733	3.2667	3.7141	3.4099*
13.	Preplanning of repayment at the time of disbursement of loan	2.7344	3.3886	3.8991	3.3224*

* Significant at five per cent level.

The highly viewed variable in RP by the respondents in micro enterprises are preplanning of repayment at the time of disbursement of loan and using of loan is for account purpose since it's mean scores are 2.7344 and 2.7084 respectively. Among the respondents in small enterprises, these two are preplanning of repayment at the time of disbursement of loan and never accept high financial leverage since it's mean scores are 3.3886 and 3.3088 respectively. Among the respondents in medium enterprises, these two are preplanning of repayment at the time of disbursement of loan and timely repayment of loan since it's mean scores are 3.8991 and 3.8084 respectively. Regarding the view on variables in RL, the significant difference among the three group of respondents have been noticed in the case of all 13 variables in RL since it's 'F' statistics are significant at five per cent level.

Score on Repayment Performance (SORP) among the Respondents

The score on repayment performance among the respondents is measured by the mean scores of all 10 variables in it. It is denoted by SORP. In the present study, it is confined to less than 2.00; 2.00 to 3.00; 3.01 to 4.00 and above 4.00. The distribution of respondents on the basis of their SORP is shown in Table 3

TABLE 3

Score on Repayment Performance (SORP) among the Respondents

Sl. No.	SORP	Number of Respondents in			Total
		Micro	Small	Medium	
1.	Less than 2.00	46	6	1	53
2.	2.00 – 3.00	55	8	3	66
3.	3.01 – 4.00	22	14	12	48

4.	Above 4.00	Total	—	7	7	14
			123	35	23	181

The importances SORP among the respondents in the present study are 2.00 to 3.00 and 3.01 to 4.00 which constitute 36.46 and 26.52 per cent to the total respectively. The important SORP any the respondents in micro enterprises are 2.00 to 3.00 and less than 2.00 which constitute 44.72 and 37.39 per cent to its total respectively. Among the respondents in small enterprises, these two are 3.01 to 4.00 and 2.00 to 3.00 which constitute 40.00 and 22.86 per cent to its total respectively. Among the respondents in medium enterprises, these two are 3.01 to 4.00 and above 4.00 which constitute 52.17 and 30.43 per cent to its total respectively. The analysis reveals that the repayment performance is higher among the respondents in medium enterprises than that among the respondents in micro small enterprises.

Difference between the Profile of Respondents and their score on repayment performance.

The differences between the profile of respondents and their score on repayment performance have been analyzed with the help of one way analysis of variance. All the eight profile variables and the score on repayment performance have been including for the analysis. The results are given in Table 4

TABLE 4

Difference between Profile Respondents and their SORP

Sl. No.	Profile Variables	F-Statistics	Table value of 'F' at five per cent level	Result
1	Gender	3.4082	3.84	Accepted
2.	Age	2.3996	2.60	Accepted
3.	Level of education,	2.8337	2.60	Accepted
4.	Occupational background	2.1173	2.37	Accepted
5.	Nature of previous experience	3.6081	3.84	Accepted
6.	Years of experience	2.9088	2.60	Accepted
7.	Type of the units	3.7084	3.00	Accepted
8.	Location of the units	3.8845	3.00	Accepted

Regarding the level of repayment performance among the respondents, the significantly differing profile variables are level of education, years of experience, location of the units and the type of sector of the units since it's 'F' statistics are significant at five per cent level.

SUMMARY OF FINDINGS:

1. There is no significant difference between the Gender, Age, Level of education, Occupational background, Nature of previous experience, Years of experience, Type of the units, Location of the units.

2. The repayment performance among the respondents is measured with the help of 13 variables. The highly viewed variable in RP by the respondents in micro, small and medium enterprises are preplanning of repayment at the time of discriminant of loan. The significant difference among the three group of respondents have been noticed in their view on all 13 variables in RP. In total, the level of repayment performance among the respondents in medium enterprises is higher than that among the respondents in small and micro enterprises.
3. The significantly associating profile variables regarding the level of repayment performance are level of education, years of experience, location of the units and type of sector of the units.
4. The significantly influencing borrowers characters on the repayment performance among the respondents in micro enterprises are values and attitudes whereas among the respondents in small enterprises, these two are values and experiences. Among the respondents in medium enterprises, these are all four important business characters namely values, attitude, beliefs and experiences. The rate of impact of borrowers character on the repayment performance is higher among the respondents in medium enterprises. In total, the highly influencing borrowers character on repayment behaviour are experiences and values.
5. 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 influence on the repayment performance are co-operative concern and access.
6. Among the respondents in all three group of enterprises. The significantly influencing determinants on the repayment performance are both borrower character and relationship lending. The higher rate of impact is noticed among the respondents in micro enterprises. In total, the highly influencing determinants is the relationship lending.

SUGGESTIONS: Based on the findings of the study, the following suggestions are drawn

1. **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.
2. **Value Building Exercises:** Since the respondents in micro enterprises are very poor in their values and also it affects their repayment performance, the banking authorities are advised to provide many value building exercises to the respondents who un micro-enterprises. The value building exercises have to focus on the value in life, business, society and environment.
3. **Change the Attitude of the Micro Entrepreneurs:** The micro entrepreneurs are very poor in their perception on society, business, bankers, banking activities and also the repayment of loans. It affects their repayment performance and also their performance in the business. It identifies that there is a dare need for attitudinal change especially among the micro-entrepreneurs. If their perception is changed, they can do better than that at present.
4. **Focus on Commitment:** If the entrepreneurs are perceiving 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.
5. **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.

6. **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.
7. **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.

CONCLUSION

The study brings to therefore the understanding of the relationship between demographic characteristics and credit repayment performance in MSME. Through the practice has been that demographic characteristics form an important aspect that Banks consider when advancing loans, this study finds that borrowers' demographic characteristics do not influence credit repayment performance in MSME. It therefore brings to for the fact that there might be other factors other than demographic characteristics that affect performance of credit repayment performance in MSMEs. It therefore follows that knowledge about the demographic characteristics of MSME owners. There is no significant difference between the Gender, Age, Level of education, Occupational background, Nature of previous experience, Years of experience, Type of the units, Location of the units.

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