



REVIEW OF RESEARCH

ISSN: 2249-894X

IMPACT FACTOR : 5.7631 (UIF)

UGC APPROVED JOURNAL NO. 48514

VOLUME - 8 | ISSUE - 9 | JUNE - 2019



RANKING OF CHALLENGES FACED BY MSME'S IN ACCESSING FINANCE FROM CHHATTISGARH RURAL BANKS IN BILASPUR DISTRICT OF CHHATTISGARH

Mr. Vijay Kumar Garudik¹ and Dr. Prabhakar Pandey²

¹Ph.D. Research Scholar, Department of Commerce- Dr C.V. Raman University, Kargi Road, Kota, Bilaspur (C.G)

² HOD, Department of Commerce, Dr C.V. Raman University, Kargi Road, kota, Bilaspur (C.G).

ABSTRACT:

In this modern era when entire world is creating a new vistas of modern civilization with supersonic speed: Globalisation, Privatisation, Liberalisation has initiated a new banking reform in India. Financial Inclusion further added to the challenges of MSME's in accessing Finance and similarly for Regional Rural Banks in Bilaspur to meet the needs of MSME's. This Research Paper strives to identify and ranking of key challenges faced by MSME's in accessing finance from Chhattisgarh Rural Banks in Bilaspur District of Chhattisgarh.



KEYWORDS: Rank, Challenges, MSME, Access, Financing, Chhattisgarh Rural Banks, Bilaspur.

INTRODUCTION

Definition of MSMEs:-

Generally, Micro, Small and Medium Enterprises (MSMEs) are defined in terms of investment made towards plant, machinery and/or equipment, as also in terms of number of people employed and the annual turnover. In India, however, Section 7 of the MSME Development Act, 2006, classifies them along the investment ceiling. For manufacturing enterprises, the investment ceiling lies below INR 25 lakhs (Micro), between INR 25 lakhs and 5 crore (Medium) and between INR 5 crore and 10 crore. The criterion for service

enterprises lies as follows: below INR 10 lakh (Micro), between INR 10 lakh and 2 crore (Small) and finally, between INR 2 crore and 5 crore (Medium) (MSMED Act, 2006).

MSME in Chhattisgarh-

At present in Chhattisgarh three RRBs functioning – Chhattisgarh State Rural Bank (CGSRB), Sarguja Kshetriya Gramin Bank (SKGB) and Durg Rajnandgaon Gramin Bank (DRGB).

OBJECTIVES :

The objective of the Research Paper is to Rank the Challenges faced by MSME's in Accessing finance from Chhattisgarh Rural Banks in Bilaspur district of Chhattisgarh

RATIONALE OF THE RESEARCH PAPER :

MSME affects our country's development Programmes. MSME is the foundation of Indian economy, thus for existence and development of such Industries there must be a corporate outlook to it. However, we do not know much about MSME Corporate outlook as it has not been studied properly. Through research on development in MSME sector, present drawbacks existing in this sector is highlighted and measures to minimize such drawbacks is suggested.

SCOPE OF RESEARCH PAPER :

The Paper 'Ranking of Challenges faced by MSME's in Accessing finance from Chhattisgarh Rural

Banks in Bilaspur District of Chhattisgarh" highlights the Present situation, objectives, Management systems, loan schemes, Achievements, Analysis and Evaluation of problems, Suggestive remedial measures to problems.

RESEARCH METHODOLOGY

- 1. SAMPLE SIZE-** 450 out of which 200 from Micro,150 from Small and 100 from Medium Entrepreneurs
As per the secondary data collected for total number of MSMEs in Bilaspur,it is found to be 19068 Units. Thus my total sample size is 3% of total which is fairly good proportion for the research purpose.
- 2. SAMPLE AREA-**Chhattisgarh Rural Banks with special reference to Bilaspur district
- 3. SAMPLING METHOD-**Simple Random Sampling
- 4. SOURCES OF DATA-**

PRIMARY DATA- Survey

SECONDARY DATA- Government Reports, Chhattisgarh Gramin Bank Annual Reports of different financial years published by MSME Ministry

5. SURVEY INSTRUMENT- Questionnaire

LIMITATIONS OF THE RESEARCH PAPER :

1. The study is limited to sample size of 450 out of which 200 from Micro, 150 from Small and 100 from Medium Entrepreneurs.
2. The study is limited to Bilaspur district
3. The study restricts itself to Chhattisgarh Rural Banks

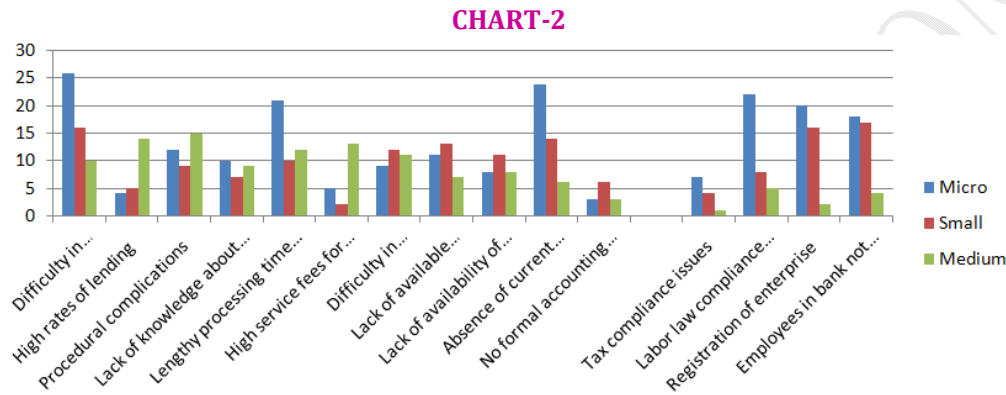
FINDINGS:

Rank the Challenges you faced in Accessing finance from Chhattisgarh Rural Banks in Bilaspur District?

TABLE: 1

Challenges in Accessing finance	Number of Respondents			Rank		
	Micro	Small	Medium	Micro	Small	Medium
Difficulty in collateral/guarantee	26	16	10	1	3	6
High rates of lending	04	05	14	14	13	02
Procedural complications	12	09	15	07	09	01
Lack of knowledge about available schemes	10	07	09	09	11	07
Lengthy processing time for the loan application	21	10	12	04	08	04
High service fees for processing loan requests	05	02	13	13	15	03
Difficulty in procuring/completing the required documentation	09	12	11	10	06	05
Lack of available infrastructure	11	13	07	08	05	09
Lack of availability of skilled workers	08	11	08	11	07	08

Absence of current account (active for 6 months)	24	14	06	02	04	10
No formal accounting system	03	06	03	15	12	13
Tax compliance issues	07	04	01	12	14	15
Labor law compliance issues	22	08	05	03	10	11
Registration of enterprise	20	16	02	05	02	14
Employees in bank not friendly	18	17	04	06	01	12
Total	200	150	100	-	-	-



INTERPRETATION :

With reference to Challenges MSME's faced in Accessing finance from Chhattisgarh Rural Banks in Bilaspur District:-

Out of 200 Micro Entrepreneurs:- Difficulty in collateral/guarantee, Absence of current account (active for 6 months) , Labor law compliance issues, Lengthy processing time for the loan application, Registration of enterprise, Procedural complications, Lack of available infrastructure , Lack of knowledge about available schemes, Difficulty in procuring/completing the required documentation were ranked 1,2,3,4,5,6,7,8,9,10 respectively

Out of 150 Small Entrepreneurs:- Employees in bank not friendly, Registration of enterprise, Difficulty in collateral/guarantee, Absence of current account (active for 6 months), Lack of available infrastructure, Difficulty in procuring/completing the required documentation, Lack of availability of skilled workers, Lengthy processing time for the loan application, Procedural complications, Labor law compliance issues were ranked 1,2,3,4,5,6,7,8,9,10 respectively.

Out of 100 Medium Entrepreneurs:- Procedural complications, High rates of lending, High service fees for processing loan requests, Lengthy processing time for the loan application, Difficulty in procuring/completing the required documentation , Difficulty in collateral/guarantee , Lack of knowledge about available schemes, Lack of availability of skilled workers, Lack of available infrastructure , Absence of current account (active for 6 months)were ranked 1,2,3,4,5,6,7,8,9,10 respectively.

SUGGESTIONS:

1. Chhattisgarh Rural Banks in Bilaspur should take appropriate steps to make awareness of various financing schemes with their benefits to the people so that they can borrow money as and when required. It should organise awareness programmes, seminars and educate the rural people the district benefits of its different schemes of financing and investments. Local Radio channels, periodical meeting of bank officials with the panchayat to educate the people of villages about the various schemes of bank from time to time can be a good option.

2. There is a large scope for generation of employment through tourism in the rural areas of Bilaspur. Chhattisgarh rural banks in Bilaspur should provide liberal financial assistance for the construction of hotels, restaurants and guest houses.
3. There is large scope for the production of various ayurvedic product & medicines in Bilaspur as there are sufficient plants with medicine value. Chhattisgarh rural banks in Bilaspur should motivate the rural entrepreneurs to produce these products by providing liberal assistance for development of these products.
4. Chhattisgarh rural banks in Bilaspur should follow up proper and effective system to ensure that loans and advances are used only for purposes these have been sanctioned. It will prevent misuse and diversification of these advances for unproductive purposes. This helps in reduction of NPA.
5. There should be sufficient infrastructure facilities in each of its branch of Chhattisgarh rural banks in Bilaspur. There should be separate counters for deposits and loan & advances. There should be appropriate arrangement of seating to its clients so that they can feel relaxed and comfortable. It should compete with the commercial banks with the adoption of latest technology. It should make available to its customers ATM facilities, online banking and mobile banking.
6. The Training and Development Programmes in Chhattisgarh rural banks in Bilaspur should be organized from the bank time to time to improve the efficiency of its officials and to keep them updated with latest innovation in the banking sector.
7. Chhattisgarh Rural Banks must draw up a Distinction between Micro, Small and Medium Enterprises at a Policy Level
8. Minimisation of Procedural Compliances is required for starting the business
9. Separate Filing of Entrepreneurs' Memorandum for the Same Enterprise Involved with Manufacturing and Rendering of Services can be Removed-
 - a. Online or e-filing of documents/ payments (such as the Director Identification Number, for instance), though more efficient, should always be accompanied by an alternative option of physical filing for those who may not be comfortable with online compliance of such obligations.
 - b. Single Window Clearance for No-Objection Certificates is a viable option. For instance, in case of acquiring construction permits, NOCs from the sewerage, tree and drainage departments can easily be acquired through a single-window system.
10. Better Monitoring Mechanism with Respect to Finance for MSMEs in Bilaspur
11. Rather than increasing the number of branches the Chhattisgarh rural banks in Bilaspur should try to improvise on the coverage of these banks and should try to reach to maximum.
12. Doorstep banking and staffing policies for Chhattisgarh rural banks in Bilaspur must be encouraged.
13. Necessary training should be given to the existing employees Chhattisgarh rural banks in Bilaspur to make them aware about the use of computers.
14. The documentation requirements should be relaxed to some extent in the rural areas.
15. Recovery Camps for Chhattisgarh rural banks in Bilaspur should be encouraged.
16. Multi Partner Delivery Models: Rather than working as standalone player the Chhattisgarh rural banks in Bilaspur should try to integrate themselves with other stakeholders such as Agro input suppliers, marketing companies, rural malls, supermarket chains, NGO's, Postal agents, doctors, Cable TV operators, Youth club members etc. to make more efficient impact. When the banks integrate themselves than they would be in a better position to offer their products as complete solution.
17. Developing Franchisee Model: Rather than opening an independent branch of its own, Chhattisgarh rural banks in Bilaspur can also try the franchisee model of delivery system which can reduce the cost and administrative expenses. This will also help in reaching the people more conveniently as the local people who are well known are the people who are promoting the products of bank rather than by an unknown bank official.
18. Government should encourage and support Chhattisgarh rural banks in Bilaspur to take appropriate steps in rural development.

19. Efforts should be made to ensure that the non-interest cost of credit to small borrowers of Chhattisgarh rural banks in Bilaspur is kept as low as possible.
20. Policy should be made by government for opening more branches in weaker and remote areas of Bilaspur.
21. Productivity should be improved by controlling the costs and increasing the income of Chhattisgarh rural banks in Bilaspur.
22. To participation cost, subsidy should be adjusted towards the end of the transaction for which loan assistance is sanctioned.
22. Government should take firm action against the defaulters and shouldn't make popular announcements like waiving of loans.
23. The RRBs in Bilaspur have to make an important change in their decision making with regard to their investments.
24. The RRBs in Bilaspur have to be very careful and reduce the operating expenses, because it has been found from our study that these expenses have increased the total expenditure of the banks.
25. The RRBs in Bilaspur have to give due preference to the micro-credit scheme and encourage in the formation of self help group.
26. Cooperative societies may be allowed to sponsor or co-sponsor with commercial banks in the establishment of the RRBs in Bilaspur.
27. A uniform pattern of interest rate structure should be devised for Chhattisgarh rural banks in Bilaspur.
28. The RRBs in bilaspur must strengthen effective credit administration by way of credit appraisal, monitoring the progress of loans and their efficient recovery.
29. The credit policy of the RRBs in Bilaspur should be based on the group approach of financing rural activities.
30. Relax procedure for lending and make them easier for village borrowers of Chhattisgarh rural banks in Bilaspur.
31. Encourage entrepreneurship in rural areas of Bilaspur.
32. Opening more branches in remote areas of Bilaspur.
33. The RRBs in Bilaspur may be permitted to lend up to 25% of their total advances to the richer section of the village society
34. Participation of local people in the equity share capital of the RRBs in Bilaspur should be encouraged
35. Local staff may be appointed as far as possible in Chhattisgarh rural banks in Bilaspur.
36. Co-ordination between district level development planning and district level credit planning is also required in order to chart out the specific role of the RRB in bilaspur as a development agency of the rural areas.
37. The RRBs in bilaspur should be allowed to provide full banking facilities in the areas of their operation
38. The Chhattisgarh Rural banks in Bilaspur should drop a scientific method to recover over dues and must maintain up to date records on daily basis.
39. Chhattisgarh Rural banks in Bilaspur should change their loan policies
40. Chhattisgarh rural banks in Bilaspur must give due preference to the micro-credit scheme and encourage in the formation of self help group

CONCLUSION:

MSME's have always been a support to state and government objective of generating employment, revenue, better standard of living, strengthening infrastructure. Bilaspur believes in MSME and its potential. The study concludes that Finance is a major obstacle in the growth of micro, small and medium enterprises in Bilaspur. The lower and middle class is capable of driving itself out of poverty; it is ambitious and active in taking up new ventures and starting businesses but most ideas are being nipped in the bud because of lack of capital. Not only does it discourage aspiring entrepreneurs

but also plays a huge role in holding back the growth of existing firms. In fact many other factors slowing down growth arise due to lack of finance.

WEBLIOGRAPHY:

1. www.pragathibank.com
2. www.reservebankofindia.com
3. www.regionalruralbanks.com
4. www.nabard.com
5. www.indianeconomicreport.com
6. www.ted.com
7. www.timesofindia.com

**Mr. Vijay Kumar Garudik**

**Ph.D. Research Scholar, Department of Commerce , Dr C.V. Raman University,
Kargi Road, Kota, Bilaspur (C.G)**