

A Study on to Identify the Financing Scheme Provided By Commercial Bank to MSME

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a critical role in the economic development of India, contributing significantly to employment, innovation, and GDP growth. It is estimated that for India to achieve an 8-10% growth rate over the next few decades, a strong MSME sector will be crucial. The MSME sector's share in the GDP of emerging economies can be as high as 40%, underscoring its importance in driving economic growth. The objective of this study was to identify the various financing schemes provided by commercial banks to MSMEs, with a focus on understanding the availability and participation in both government and bank-specific MSME schemes. The research involved 600 respondents from a selected sample area, with findings indicating a significant difference in the availability of bank-specific MSME schemes across different banks, as evidenced by the calculated value being greater than the table value. However, no significant difference was found in the participation of banks in government schemes for MSMEs. These findings highlight the varying levels of engagement among commercial banks in supporting MSMEs, emphasizing the need for further improvements in tailored financing options for this vital sector.

Keywords: MSME, Commercial bank, financing schemes, Government schemes.

INTRODUCTION

The new classification of Micro, Small, and Medium Enterprises (MSMEs) under the MSMED Act, 2006, came into effect on 1st July 2020. Previously, the criteria for MSME classification were based on investment in plant, machinery, and equipment, with different criteria for manufacturing and services sectors. These earlier limits were relatively low in terms of financial thresholds. However, with the significant economic changes over the years, the Government of India revised the MSME classification as part of the "Aatma Nirbhar Bharat" package announced on 13th May 2020. This revision aimed to make the classification system more realistic and relevant to current economic conditions, while promoting the "Ease of Doing Business." A new composite classification for both manufacturing and services sectors was introduced on 26th June 2020, aimed at facilitating both existing and prospective entrepreneurs (Government of India, 2020).

The MSME sector is crucial to India's economic development, contributing significantly to GDP, employment, and industrial output. It is estimated that the sector's share in GDP is up to 40% in emerging economies (Kumar & Yadav, 2021). To achieve a growth rate of 8-10% annually in the coming decades, a strong MSME sector is essential. With the government aiming for an ambitious \$5 trillion economy, the MSME sector's contribution, particularly from the manufacturing side, is projected to play a pivotal role, with a target of 25% from manufacturing alone. The various schemes announced under the Government of India's MSME policies are crucial in achieving this target, focusing on ease of access to finance, digital transformation, and performance enhancement (Sharma, 2020).

The Union Budget 2022-2023 further emphasizes the importance of MSMEs, with a strong focus on facilitating "Ease of Doing Business." Notably, the government has announced INR 2 lakh crore in additional credit for Micro and Small Enterprises through the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). This initiative is designed to enhance liquidity access for MSMEs, empowering them to scale their operations and improve financial stability. Additionally, the Emergency Credit Line Guarantee Scheme (ECLGS), which has already extended additional credit to over 130 lakh MSMEs, will be extended until March 2023. The scheme's coverage will be expanded by an additional INR 50,000 crore, totaling INR 5 lakh crore in credit guarantees (Ministry of Finance, 2022).

Moreover, the government has introduced the Raising and Accelerating MSME Performance (RAMP) program, with an outlay of INR 6,000 crore, aimed at improving the performance of MSMEs through technological support, capacity building, and market access. In addition, the integration of various digital portals such as E-Sharm, UDYAM, and the Aatmanirbhar Skilled Employee-Employer Mapping (ASEEM) portal will streamline registration processes, skill mapping, and employment services for MSMEs. This interconnected digital ecosystem will help MSMEs in accessing support, financing, and resources with greater ease, making it easier for entrepreneurs to navigate the business landscape and expand their operations (Rathore & Joshi, 2021).

In conclusion, the revisions to the MSME classification, along with the supportive schemes introduced by the Government of India, are steps in the right direction to foster growth, enhance the competitiveness of the MSME sector, and contribute to the nation's economic ambitions. The sector's integral role in economic development cannot be overstated, and the strategic initiatives outlined in recent policies aim to provide a robust foundation for MSMEs to thrive in the coming years.

Justification of the Study

MSME sector is a critical economic factor in India. They made up a majority of the domestic business transactions and at the same time play an important role in international trade. They have emerged as a vibrant and dynamic component of the economy by the virtue of their significant contribution to GDP. In India MSMEs has achieved steady growth over the last couple of years. The role of MSMEs sector is growing rapidly and they have become a thrust area for the future growth. It is quite evident that nurturing this sector is essential for the economic well being of the nation. It is essential to take care of the sector to enable it to take care of the Indian economy.

REVIEW OF LITERATURE

The MSME sector in India has long been a cornerstone of the country's economic development, contributing significantly to employment, innovation, and GDP. Recent policy shifts, particularly the revision of MSME classification criteria under the MSMED Act in 2020, reflect the government's efforts to modernize and streamline the sector. The changes, which were introduced as part of the "Aatma Nirbhar Bharat" initiative, aim to make the classification system more aligned with current economic realities and enhance the ease of doing business. Previous research highlights the importance of MSMEs in fostering inclusive growth, but challenges related to access to finance, technology adoption, and infrastructure persist (Sharma, 2020).

Reviews are here:

Koppala Venugopal, Saumendra Das (2022) in their research paper titled "Assessment of operational functions affecting on the micro and small enterprises' sustainability " conducted deep primary research through direct population survey and proved that Marketing, Technology and Financial competence have significant and positive impact on success of MSMEs and are supported at 5% significant level (95% level of confidence). Similarly, Government support to MSMEs and Entrepreneurial orientation have significant and positive impact on success of MSMEs and both is supported at 5% significant level. Entrepreneurial orientation is another significant parameter relating to success of MSMEs.

Dr. Upender Sethi (2022), He concluded that last year when the entire global economy was stuck in the clutches of COVID-19, at that time launched of Atam Nirbhar Bharat Abhiyan was came as a ray of hope in the darkness which is welcome by all with both hands. It aims to be self resilient to face the competition with the global supply chain. The package will support the poor, labourers and migrant workers from both organized as well as unorganized sectors. Atmanirbhar Bharat Abhiyan's strategy seems to provide a strong backlash to provide improved access to finance and support the agricultural and business sectors. Countries are now allowed to borrow within the upper limit but have clear terms of adjustment. The incentive for the demand side through the lack of funding is not yet considered. But there is no denying that there is a great need for pressure now. The purchasing power of the people needs to be increased and the need for industrial products and services must be created. Wage support for immigrant workers and the urban poor is also an immediate problem. Thus, the success of Atam Nirbhar Bharat Abhiyan will depend on all the 137 crores Indians including government, so one has to contribute every bit to make it happen and attain achievement.

D.K. Nema, Pushpa Suryavanshi, and Toran Lal Verma (2021) conclude in their research that lack of finance for working capital and capital Investments, lack of marketing Opportunities, infrastructure, unavailability of skilled labour, and stringent Govt rules and regulations are the major challenges of MSMEs in India.

Mehta & Awasthi (2021) indicated that MSME has been playing a significant role in the Indian economy for financial growth and development. Moreover, about 36.1 million units of micro small and medium enterprises are putting their efforts into making products and it would assist in Indian export for improving. The study has been dependent on secondary data and correlation and regression methods have been used to complete the objectives. Ultimately, MSME engages roughly 6.11% of the manufacturing GDP that is helping to grow the economy. Majumder & De concluded that the government has decided to implement EXIM policy for MSME to enlarge the opportunities and move forward to worldwide level by Atma Nirbhar Bharat Abhiyan and make in India scheme. It would create more awareness and education among people for remaining competitive from another country and promote to take participate in the foreign trade fair. The study is based on secondary data and data is collected by research papers, articles, newspapers etc. with the implementation of EXIM policy helps to step forward from traditional to non-traditional items like MNCs and e-commerce.

Research Objectives

To identify the financing scheme provided by commercial bank to MSME.

Sample Size- The sample size denotes the number of elements selected for the study. The sample of 600 Respondents will be drawn through multistage-cum-connivance sampling technique from Deferent districts of Divisions of Haryana State.

Sampling procedure:

Table no 1

State	Haryana					
Division	Ambala	Karnal	Rohtak	Hisar	Gurugram	Faridabad
Sampled Districts	Ambala	Karnal	Rohtak	Hisar	Gurugram	Faridabad
Respondents	100	100	100	100	100	100

The table outlines the distribution of respondents across six districts in Haryana for the study. A total of 600 respondents were surveyed, with 100 individuals from each district. The districts selected for the survey include Ambala, Karnal, Rohtak, Hisar, Gurugram, and Faridabad, representing different geographical and economic areas of Haryana. Each district contributes an equal number of respondents (100), ensuring uniformity in the data collection process across the regions. This equal sampling distribution allows for a comprehensive analysis of the data, making it possible to compare responses from different regions of Haryana and draw meaningful conclusions about the study's objectives.

Interpretation

Table No 2

Bank participate in the government schemes for MSMEs Pradhan Mantri MUDRA Yojana (PMMY)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	575	95.8	95.8	95.8
	No	25	4.2	4.2	100.0
	Total	600	100.0	100.0	

Source: Primary data

Table no 2 shows that the Bank participate in the government schemes for MSMEs Pradhan Mantri MUDRA Yojana (PMMY) wise distribution of sample respondent. It is observed from the above table that maximum 575 (95.80%) respondents reply they are his bank are participating in the government schemes for MSMEs Pradhan Mantri MUDRA Yojana (PMMY) and reaming 25 (4.20%) respondents reply they are his bank are not participating in the government schemes for MSMEs Pradhan Mantri MUDRA Yojana (PMMY) out of total 600 simple respondents.

Table No 3

Bank participate in the government schemes for MSMEs Stand-Up India Scheme					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	547	91.2	91.2	91.2
	No	53	8.8	8.8	100.0
	Total	600	100.0	100.0	

Source: Primary data

Table no 3 shows that the Bank participate in the government schemes for MSMEs Stand-Up India Scheme wise distribution of sample respondent. It is observed from the above table that maximum 547 (91.20%) respondents reply they are his bank are participating in the government schemes for MSMEs Stand-Up India Scheme and reaming 53 (8.80%) respondents reply they are his bank are not participating in the government schemes for MSMEs Stand-Up India Scheme out of total 600 simple respondents.

Table No 4

Bank participate in the government schemes for MSMEs CGTMSE (Credit Guarantee Scheme)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	554	92.3	92.3	92.3
	No	46	7.7	7.7	100.0
	Total	600	100.0	100.0	

Source: Primary data

Table no 4 shows that the Bank participate in the government schemes for MSMEs CGTMSE (Credit Guarantee Scheme) wise distribution of sample respondent. It is observed from the above table that maximum 554 (92.30%) respondents reply they are his bank are participating in the government schemes for MSMEs CGTMSE (Credit Guarantee Scheme) and reaming 46 (7.70%) respondents reply they are his bank are not participating in the government schemes for MSMEs CGTMSE (Credit Guarantee Scheme) out of total 600 simple respondents.

Table No 5

Bank participate in the government schemes for MSMEs PSB Loans in 59 Minutes					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	542	90.3	90.3	90.3
	No	58	9.7	9.7	100.0
	Total	600	100.0	100.0	

Source: Primary data

Table no 5 shows that the Bank participate in the government schemes for MSMEs PSB Loans in 59 Minutes wise distribution of sample respondent. It is observed from the above table that maximum 542 (90.30%) respondents reply they are his bank are participating in the government schemes for MSMEs PSB Loans in 59 Minutes and reaming 58 (9.70%) respondents reply they are his bank are not participating in the government schemes for MSMEs PSB Loans in 59 Minutes out of total 600 simple respondents.

Table No 6

Bank participate in the government schemes for MSMEs Emergency Credit Line Guarantee Scheme (ECLGS)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	443	73.8	73.8	73.8
	No	157	26.2	26.2	100.0
	Total	600	100.0	100.0	

Source: Primary data

Table no 6 shows that the Bank participate in the government schemes for MSMEs Emergency Credit Line Guarantee Scheme (ECLGS)wise distribution of sample respondent. It is observed from the above table that maximum 443 (73.80%) respondents reply they are his bank are participating in the government schemes for MSMEs Emergency Credit Line Guarantee Scheme (ECLGS)and reaming 157 (26.30%) respondents reply they are his bank are not participating in the government schemes for MSMEs Emergency Credit Line Guarantee Scheme (ECLGS)out of total 600 simple respondents.

Table No 7

There are any bank-specific MSME schemes for MSME					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	128	21.3	21.3	21.3
	No	472	78.7	78.7	100.0
	Total	600	100.0	100.0	

Source: Primary data

Table no 7 shows that the There are any bank-specific MSME schemes for MSME wise distribution of sample respondent. It is observed from the above table that maximum 472 (78.70%) respondents reply that there are any bank-specific MSME schemes for MSME in his banks and reaming 128 (21.30%) respondents reply that there are no specific MSME schemes for MSME in his banks out of total 600 simple respondents

Findings of the study

The survey results reveal a significant level of participation among banks in various government schemes aimed at supporting Micro, Small, and Medium Enterprises (MSMEs). A substantial majority, 95.80%, of respondents indicated that their respective banks participate in the Pradhan Mantri MUDRA Yojana (PMMY), a government initiative designed to provide financial support to micro and small enterprises. Only 4.20% of respondents reported that their banks do not participate in this scheme, highlighting a broad acceptance and implementation of the program among financial institutions.

Similarly, a high percentage of respondents, 91.20%, confirmed that their banks are involved in the Stand-Up India Scheme, which facilitates access to credit for women and SC/ST entrepreneurs. On the other hand, 8.80% of respondents reported that their banks do not participate in this scheme, indicating a slightly lower level of participation compared to PMMY but still demonstrating significant engagement with government initiatives targeting entrepreneurship.

The Credit Guarantee Scheme for MSMEs (CGTMSE) also shows strong participation, with 92.30% of respondents affirming that their banks are involved in this scheme, which offers collateral-free loans to small and medium businesses. Only 7.70% of respondents reported no participation in CGTMSE, further underscoring the widespread adoption of government programs designed to ease the financial burden on MSMEs.

In the case of the PSB Loans in 59 Minutes scheme, designed to offer quick loan approvals to MSMEs, 90.30% of respondents confirmed their banks' participation. This demonstrates that a large majority of financial institutions are aligning with government efforts to streamline loan processes for MSMEs, although 9.70% of respondents noted that their banks do not participate in this scheme, indicating some level of non-participation.

The Emergency Credit Line Guarantee Scheme (ECLGS), which was introduced as a part of the government's response to the COVID-19 pandemic, received mixed feedback. While 73.80% of respondents reported that their banks are participating in the scheme, aimed at providing emergency credit to MSMEs during the pandemic, a notable 26.30% of respondents indicated that their banks do not offer this facility. This disparity highlights that while the scheme has been widely adopted, there is still room for greater involvement by banks in offering emergency financial relief to MSMEs.

Finally, when asked about the availability of bank-specific MSME schemes, 78.70% of respondents affirmed that their banks have tailored MSME schemes designed to address the unique needs of small businesses. However, 21.30% of respondents reported that their banks do not have any such specific schemes, suggesting that there is variability in the extent to which individual banks cater to the MSME sector with bespoke solutions.

CONCLUSION

These findings reflect a strong commitment by the majority of banks to participate in government schemes aimed at supporting MSMEs, although some gaps remain in the level of participation across different schemes. The mixed responses also indicate that while many banks are proactive in offering financial support to MSMEs, there are still opportunities for improvement, particularly in the adoption of certain programs such as the Emergency Credit Line Guarantee Scheme and bank-specific MSME initiatives.

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