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Financial AID to the Micro and Small Enterprises by the Financial Institutions in Papum Pare District of Arunachal Pradesh

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ABSTRACT

Finance is the lifeline of any form of business, and its timely and adequate supply is crucial for the survival of micro and small enterprises. Micro, small and medium enterprises (MSMES) play a crucial role in the development of our economy by providing ample scope of employment, export promotions, uplifting regional balance and contribution toward GDP. Despite of the noticeable achievements, this sector faces challenges for timely and adequate supply of finance. State government always promotes these sectors with different schemes and policies by collaborating with financial institutions from time to time. This paper deals with understanding the support of financial institutions in the study area provided to the micro and small enterprises for accessing finance i,e analysing the banking institutions in the papum pare district of Arunachal Pradesh for providing loans to the micro and small enterprises.

Keywords: Financial assistance, scheme, MSEs, Financial Institution.

INTRODUCTION

Over the last five decades, the micro, small and medium enterprises (MSMEs) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. The sector plays a crucial role in the development of our economy by providing an ample scope of employment, export promotions, uplifting regional balances contribution toward GDP. (Sarda & Baruah,2019). Despite of the huge potentials the sector faces the challenges of timely and adequate supply of credit (Kulkarni,2007). Financial institutions play a key role for the growth of the sector in the study area. However limited access to formal credits and underutilisation of government schemes continue to restrict their growth. This paper tries to understand the support extended by the financial institutions in providing government led schemes to the micro and small enterprises (MSEs) in the papum pare district of Arunachal Pradesh.

Objectives: To study the financial support or schemes provided to the micro and small enterprises (MSEs) by the various financial institutions in the study area.

REVIEW OF LITERATURE

Biri &Tasi (2024): In their study "government support in promoting women entrepreneurship in Arunachal Pradesh" focused on the government policies and subsidies for women entrepreneurs and concludes that the awareness and accessibility were the key barriers.

Das (2021): In his work "Institutional financial support to the MSMES in Assam" reveals that due to strict lending requirements, procedures and operational standards commercial banks were unable to meet the funding needs of MSMEs.

Sarda & Baruah (2020): In their work "borrower discouragement: loan delays and rejection: evidence from MSMEs in Assam" pointed out there is a large demand and supply gap in terms of bank credit to MSEs and improvement in the schemes is the need of hours.

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Sarda & Baruah (2019): In their study named "A study on schemes of state bank of India for lending to MSMEs" shows that various schemes of SBI for the MSMEs and also suggested that enterprises should focus on all the other schemes of the financial institutions for availing credit on time.

Rai (2018): In her work "A study on status and problems of MSMEs in Papum Pare district of Arunachal Pradesh" outlined some important finance related issues such as limited access to institutional credits and equity and delay or absence of adequate banking finance and priority sector lending.

METHODOLOGY

For the purpose of the study, the various bank wise loan applications under various schemes namely- Deen Dayal Upadhayay Swabalamban Yojana (DDUSY), PM SVANidhi scheme, bank wise progress under annual credit plan (ACP) disbursement (MSMEs), from the regional head office of SBI, located in the bank tinali of Papum Pare district for the period 2023-2024 under priority sector lending was considered for the study. A systematic and thorough analysis of the above-mentioned loan applications of various banks in the study area has been carried out in order to reach a real understanding or for effective results

Table 1.1: Bank wise report of DDUSY for Papum Pare district (2023-2024)

S.NO	BANK NAME	NOS OF APPLICATION	(%)
1	Bank of Badodra (B0B)	5	13%
2	Bank of India (BOI)	1	3%
3	Bank of Maharastra; (BOM)	1	3%
4	Canara Bank (CAN)	2	5%
5	Central Bank of India (CBI)	2	5%
6	Indian Bank (IND)	1	3%
7	Indian Overseas Bank (IOB)	1	3%
8	Punjab National Bank (PNB)	3	8%
9	Punjab Ancient Bank (PSB)	0	0%
10	State Bank of India (SBI)	17	47%
11	UCO Bank (UCO)	2	5%
12	Union Bank of India (UNI)	2	5%
	Total	36	100%

Source- Field Study

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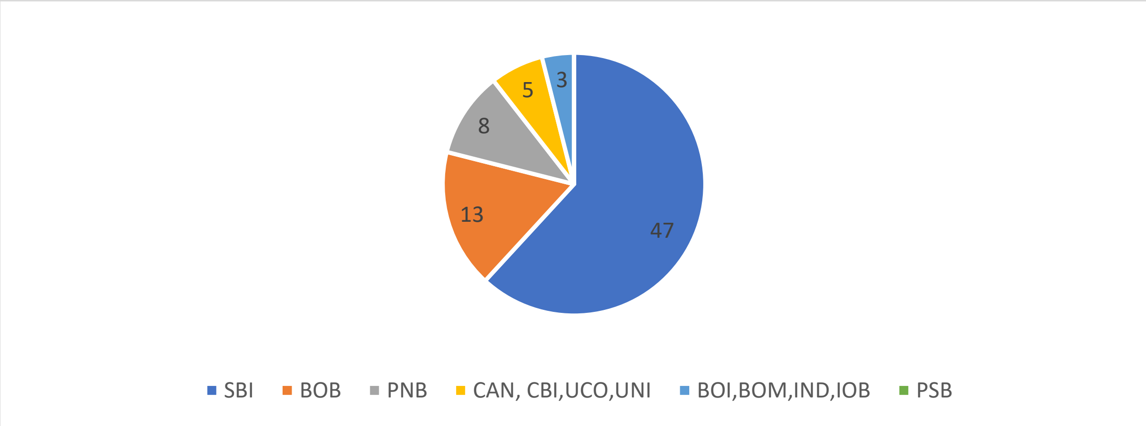
Figure 1: Bank wise DDUSY schemes report



Source: Field study

Interpretation: It is observed from the fig no.1 that the highest no. of loan application under schemes DDUSY is received by the State bank of India which is 47% in the study area for the year 2023-24. And the lowest no. of loan application is received by banks BOI, BOM, IND & IOB which is 3% and no loan application received by PSB. The data shows extremely low participation levels across all banks, SBI and BOB accounted for most no. of applications. This indicate that the schemes are poorly promoted in the study area.

Table 1.2: Bank wise progress under annual credit plan (ACP) disbursement (MSEs) of Papum Pare district (2023-2024)

S.NO	BANK NAME	MICRO				SMALL			
		T.L No.	WC No.	TOTAL	%	TL No.	WC No.	TOTAL	%
1	BOB	205	0	205	19%	28	0	28	11%
2	BOI	92	25	117	11%	0	0	0	0%
3	BOM	22	9	31	3%	15	28	43	17%
4	CAN	50	32	82	8%	4	3	7	3%
5	CBI	35	20	55	5$%	0	0	0	0
6	IND	25	77	102	9%	28	23	51	20%
7	IOB	28	25	83	8%	0	0	0	0%
8	PNB	17	17	34	3%	1	2	3	1%
9	PSB	5	11	16	1%	4	1	5	2%
10	SBI	219	0	219	20%	71	0	71	28%
11	UCO	74	27	101	9%	0	40	40	16%
12	UNI	10	30	40	4%	1	5	6	2%
	Total			1071	100%			252	100%

Source- Field study

- **TL- Term loan**
- **WC- Working Capital**

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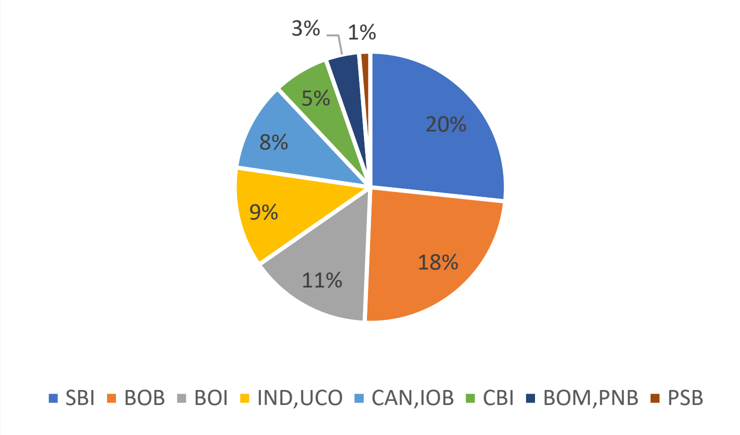
Figure 2: Bank wise progress under ACP Disbursement (MSEs)



Source- Field study

Interpretation: It is observed from the fig. no. 2 that the state bank of India, Bank of Baroda and Bank of India performance in providing term loan to the MSEs under the priority lending schemes of ACP is appreciable and which is at 20%, 18% & 11%. Likewise, the performance in providing working capital requirement to the micro and small enterprises is noticeable and the banks are SBI, IND, UCO etc. The poor performance of the banks is PSB and PNS which is 1%. The data reveals a healthy participation by public sector banks in MSMEs lending particularly in micro enterprises. SBI emerges as the most balanced performer.

Table 1.3: Bank wise PM SAVA Nidhi schemes status of Papum Pare district (2023-2024)

	BANK NAME	NOS APPLOICATION	PERCENTAGE
1	BOB	70	6%
2	BOI	52	4%
3	BOM	19	2%
4	CAN	54	4%
5	CBI	42	3%
6	IND	33	3%
7	IOB	12	1%
8	PNB	45	4%
9	PSB	2	0%
10	SBI	854	72%
11	UCO	9	1%
12	UNI	5	0%
	Total	1177	100%

Source- Field study

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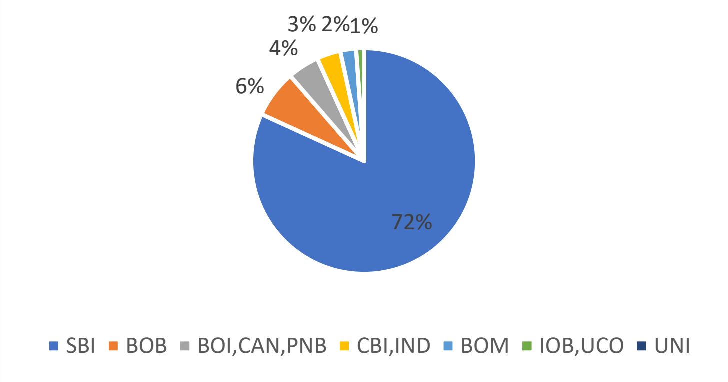
Figure 3: Bank wise PM SAVA Nidhi scheme report



Source- Field study

Interpretation: It is observed from the above fig. that the banks processed highest no. of loan application of 854 which is 72% is the State bank of India under the govt. scheme PM SAVA Nidhi loan in the study area and the banks whose performance is extremely low are the UCO banks and Indian overseas bank which is 1%. SBI shows a remarkable outreach and implementation capacity compared to other banks. The data demonstrates that PM SAVA Nidhi has reached many beneficiaries in Papum Pare through SBI.

FINDING AND DISCUSSION

The analysis of the annual credit plan (ACP), Deen Upadhyay Swavalamban yojana (DDUSY) and the PM SAVA Nidhi scheme in Papum Pare district for the year 2023- 2024 presents a revealing picture of the performance of the financial institutions in extending credit support to micro and small enterprises (MSEs). The financial support system for MSMEs in the study area shows promise but suffers from institutional imbalance, poor scheme penetration and low credit diversification. Whereas SBI demonstrates consistent leadership across all schemes, other banks need more proactive policies to match performance.

CONCLUSION AND RECOMMENDATION

The financial support system for MSMES in Papum Pare district shows promise but needed more proactive policies and programmes. In the area of credit diversification, need to set a target for small enterprises; improve DIC-bank linkage. For scheme awareness, need to conduct block level campaign for DDUSY and PM SVANidhi. Timely monitoring and review by the district credit committees for better result.

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