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GRT “ROLE OF COMMERCIAL BANK IN THE GROWTH OF MICRO AND SMALL ENTERPRISES”

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Abstract:-These days, micro and small enterprises are growing with the help of commercial banks. There are so many loan schemes available for MSEs to promote their entrepreneurial ideas through commercial banks. Thus, micro and small enterprises are motivated by commercial banks to start, expand and maintain their enterprises in a successful way without the problem of finance. Here, we study about the role of commercial banks in the growth of micro and small enterprises.

Keywords:Commercial Banks, Micro Enterprises, Loans, Government and Credit System.

INTRODUCTION:

The banking sector in India has undergone a sea-change during the past quarter century. It has emerged as one of the important agents of rural development. Gone are the days when commercial banks were only 'purveyors of credit', now they are catalytic agents in the nation's economic progress. It is for this reason that 14 major commercial banks were nationalized in July, 1969 and six more were nationalized in April, 1980. Efforts are also being made to see that at least 50 percent of the institutional credit goes to the weaker sections. Separate sub-targets have been prepared for the weaker section and further within this group for landless labourers, artisans etc.

The social objectives would be achieved through-(i) rapid expansion of banking services through vigorous branch expansion programme specially in the unbanked and neglected areas and (ii) the provision of adequate liberal finances to the 'priority sector' which includes most neglected areas such as agriculture, small scale industries, professional and self-employed persons, education, transport operators etc.

The role of commercial banks

Commercial banks engage in the following activities:

Processing of payments by way of telegraphic transfer, EFTPOS, internet banking, or other means

Issuing bank drafts and bank cheques

Accepting money on term deposit

Lending money by overdraft, installment loan, or other means

Providing documentary and standby letter of credit, guarantees, performance bonds, securities underwriting commitments and other forms of off balance sheet exposures

Safekeeping of documents and other items in safe deposit boxes

Sales, distribution or brokerage, with or without advice, of: insurance, unit trusts and similar financial products as a “financial supermarket”

Cash management and treasury

Merchant banking and private equity financing

Traditionally large commercial banks also underwrite bonds, and make markets in currency, interest rates, and credit-related securities, but today large commercial banks usually have an investment bank arm that is involved in the mentioned activities.

Government loan schemes for small business

Moreover, it will be even more beneficial if the source of getting a loan is from government backed program or financial

institute as cost of funding is lower. The advantage of it is not only at the time of starting up a business but also for the improvisation and successful operation.

Central and state government has introduced some policies and schemes to align with the needs of small businesses. Some of the public banks like State Bank of India (SBI), Andhra Bank, and Bank of Baroda offer various kinds of financial schemes which may help business owners to get a wide range of financial products and services to help in meeting their business requirements. These public sectors banks' following schemes can indeed assist the financial challenges faced by SMEs:

Working capital finance: It is available to meet the operating expenses, receivable financing, direct funding or by letter of credit.

Corporate term loans: Such loans are useful for any new venture or expansion of business.

Term finance: For modernization or diversification the capacity of existing units e.g. land, building, plant and machinery etc.

Apart from public sector banks some government financial institutions also play a vital role for financing and development of small businesses. Some of the key names are as follows:

Small Industries Development Bank of India (SIDBI): It had started its financial assistance to small business enterprises in 1990 and was established by an act of Parliament. In India SIDBI has now become the vertex among the government financial institutions. It is actively taking part in promotion and development of small business industry. Various schemes those come under SIDBI are Direct Assistance Scheme, Indirect Assistance Scheme, Promotional and Development Activities, National Equity Fund, Scheme, Technology Development and Modernization Fund Scheme, Single Window Scheme, Mahila Udyam Nidhi (MUN) Scheme and Equipment Finance Scheme.

National Small Industries Corporation Limited (NSIC): It was set up in 1999 to encourage and advance the growth of small scale business industry. One of the major features of NSIC is to import machines on hire-purchase terms. It also focuses to supply and distribute indigenous and imported raw materials and export the product of small business unit, at the same time NSIC creates awareness of technological advancement like software technology.

National Bank for Agriculture and Rural Development (NABARD): It is for the promotion of rural business enterprises especially in agriculture sector. It offers support to small industry like cottage and village industry using credit and not credit approaches.

World Association for Small and Medium Enterprises (WASME): In India WASME is the only non-governmental organization for SMEs with the intent to develop the action plan for the small and medium businesses. It grants some subsidized schemes for growth of rural enterprises as well.

Broadly, these government and public sector bank schemes are helpful not only for the modern small scale industry but also to the rural business industry. So that it will help to bring change in the economic development of our country.

CONCLUSION:

There are numerous types of investment opportunities available for every kind of investor. Even for the small scale investors there are various small business franchise opportunities available. The quote 'Be Your Own Boss' is being interpreted in true sense. In recent years many people have left their white collar job for starting their own business as Indian market is flooded with an array of small business franchise opportunities.

Today there is a void of adequate business resources for small business much more so when they contribute 35 per cent to national income while corporate contributes 15 per cent to national income, there has been no dedicated matter created to focus on the needs of small business. Seeing the scope for the growth of small business opportunities, improving the sales and marketing capabilities is an important factor. It decides the growth of small business. There are many cost effective small business growth strategies and tactics that you must understand properly before implementing them. Thereof, small business should not just maneuver after growth opportunities. As driving in speed towards growth opportunities entails a risk i.e. speed is higher than the anticipated gain of reaching the peak before others. Therefore, it becomes even more important to predetermine his path and speed in the business plan.

Small business franchising opportunities are thus expanding with each passing day. Looking at the facts and figures regarding the growth of small businesses in franchising, it is to be said that such franchising opportunities are not just restricted to food and automotive sector. In fact, each and every sector too is on expanding mode.

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