

ROLE OF CANARA BANK IN PROMOTING MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

DishaToraskar

Asst. Professor of Commerce

Sridora Caculo College of Commerce and Management Studies, Khorlim Mapusa Goa

ABSTRACT

The Micro, Medium and Small Enterprises (MSME's) plays an important in the growth of our country. They contribute in terms of innovations, generating employment opportunities, Gross Domestic Product, boosting manufacturing, service, infrastructure sector etc. Both government and various support institutions are taking efforts to facilitate the process of starting new enterprises. These efforts includes attractive schemes for availability of loans and various other services including entrepreneurship Development center, Micro Enterprises Business Centers, etc. are established to create awareness and for catering to the needs of budding entrepreneurs. There are various ways in which MSME's can get funding and one of these ways is through a loan from a bank. Apart from providing financial assistance, banks also provide valuable inputs to promote and support their enterprises. The present study aimed to study various schemes implemented by Canara Bank for promoting Micro, Small and Medium Enterprises while giving a special focus on Pradhan Mantri Mudra Yojana (PMMY) scheme and the initiatives taken by Canara Bank to promote these enterprises. The study has been carried out by making use of secondary data collected from Annual reports of Canara Bank, websites etc. It is observed from the study that schemes implemented by the Canara Bank acts as a significant factor in promoting micro, small and medium enterprises as the amount disbursed under the schemes showed increasing trend over a period of three years.

Keywords: Canara Bank, Initiatives, Micro, Medium and Small Enterprises (MSME), Schemes.

1. INTRODUCTION

In a developing country like India, Micro, Small and Medium Enterprises are the backbone of the economy. MSME's not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. Being a financial institution, Banks plays a vital role in providing a helping hand to these enterprises. Apart from providing financial assistance, banks are also actively involved in providing valuable inputs to promote and support MSME's.

The natural mobility of small enterprises to medium ones needs to be facilitated through proper policy intervention and legislations and by keeping this objective in mind, the Government came with an exclusive legislation for MSME's known as Micro, Small and Medium Enterprises Development Act 2006. The MSME's are defined under the MSME Act 2006 on the basis of capital investment made in plant and machinery in case of manufacturing sector and investment in equipment in case of service sector.

As per 2006 definition, Manufacturing units having investment below Rs. 25 lakh were termed Micro, those between Rs. 25 lakh and Rs. 5 crore termed as Small and from Rs. 5 crore to Rs. 10 crore as Medium. Similarly, for Service units, corresponding investment thresholds were up to Rs. 10 lakh Micro, between Rs. 10 lakh to Rs. 2 crore Small and between Rs 2 crore to Rs. 5 crore Medium Enterprises.

Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, as 'Canara Bank Hindu Permanent Fund' in July 1906, at Mangalore. This small seed blossomed into a limited company as 'Canara Bank Ltd.' in 1910 and became Canara Bank in 1969 after nationalization. In June 2006, the Bank completed a century of operation in the Indian banking industry. This bank works on the principles such as inculcating the habit of thrift and savings, assisting the needy, work with a sense of service and dedication, etc. sound founding principles, enlightened leadership, unique work culture and remarkable adaptability to changing banking environment have enabled Canara bank to be a frontline banking institution of global standards.

The Bank is the nodal agency for Credit Linked Capital Subsidy Scheme (CLCSS) of Ministry of MSME, Government of India, for technology up-gradation of Micro & Small Enterprises (MSEs).

2. LITERATURE REVIEW

Arvind Kumar, Priyanka Sharma, undertook a study to analyse the growth and development of the Indian MSMEs from opening of the economy in last few years. It also looks into the present scenario role of financial institutions in overall development of MSMEs across the nation and evaluated opportunities and challenges in the sector for raising funds through financial institutions.

GaziaSayed, Pankaj Trivedi, made an attempt to study the role of Microfinance Institutions on the growth and development of Micro-Enterprises. Frequency distributions, Crosstabs and Chi square were used to draw conclusions. Results show that increased on business sales volume, profits and physical assets are the impact of adequate microfinance access. Statistically the finding shows that the increased of business capital structure has no direct relationship with microfinance access.

K. Sankara Rao, Abdul Rahman Noorinasab, has conducted a study on the topic “The Role of SIDBI in developing the MSMEs in India”. In this study, besides making a brief review of the overall performance of the MSME sector, the author also studied the role played by the Small Industries Development Bank of India (SIDBI) in empowering MSMEs.

Oshiobugie O. Bruno, Okoh Lucky, has investigated the impact of banks and other financial institutions in enhancing the growth of entrepreneurial development in South-South, Nigeria. The findings revealed that positive and significant relationship exists between banks and other financial institutions in providing loans to promote entrepreneurship development in South-South, Nigeria. Another finding revealed that positive and significant relationship exists between banks and other financial institutions in providing advisory services to promote entrepreneurship development in South-South, Nigeria.

Parthajeet Das, has made an attempt to highlight on the functional scenario of micro, small and medium enterprises in India, to focus on the huge growth potential and opportunities available for development of this sector; to identify some important issues, challenges and constraints confronted by these enterprises and to offer suggestions to overcome the same.

3. RESEARCH GAP

At the time of conceiving the topic for the study, only few studies were available on the topic role of banking institutions in promoting Micro, Small and Medium Enterprises. Most of the studies were undertaken on the topic role of National level institutions or Specialized Financial institutions in promoting Micro, Small and Medium Enterprises and also on the topic challenges and issues faced by them. Secondly Canara Bank is the one of the nationalized bank which provides various schemes for promoting MSME's. Seeing this research gap, it was decided to take up a study on the topic “Role of Canara Bank in Promoting Micro, Small and Medium Enterprises in India”.

4. OBJECTIVES OF THE STUDY

- 1) To study various schemes offered by Canara Bank for promoting Micro, small and Medium Enterprises in India.
- 2) To study advances granted to MSME's sector by Canara Bank.
- 3) To find out the amount of Sanctions and Disbursals under various variants of Pradhan Mantri Mudra Yojana (PMMY) scheme during last three years.
- 4) To study the initiatives taken by Canara bank to promote MSME's sector in India.

5. RESEARCH METHODOLOGY

The present study is based on secondary data. Data was collected from various sources, but mainly from the Annual Reports of Canara Bank, Publications of Canara Bank, Newspapers and information available on the websites.

6. FINDINGS

I. Various schemes offered by Canara Bank for promoting Micro, small and Medium Enterprises.

There are various schemes offered by Canara Bank for promoting the Micro, Small and Medium Enterprises but for the purpose of study following 8 schemes were studied.

1. Canara MSME CAP (credit Against Property)

Purpose :To provide credit in the form of working capital and term loan for business requirement of MSME borrowers against the security of unencumbered Land and Building belonging to the unit or promoters of the unit or close relatives of the promoters.

Target Group: Micro Small and Medium Enterprises (Manufacturing/Service) (Excluding Educational Institutions, Self Help Group, Joint Liability Groups).

Eligibility: Loan against mortgage of Land and Building (Land alone will not be considered) located in Metro, Urban and Semi-Urban centre for Individuals/Partnership firm (other than partnership firms where HUF is a partner)/ company (excluding NBFC)/Traders/ Businessmen/professionals or self-employed persons/proprietary firms

Quantum: Manufacturing Units: Rs.10 Crores, Service Units: Rs.5 Crores.

Interest: Interest rate ranging from One year MCLR + 1.55% p.a. to 2.30% p.a

Repayment: TL -5 to 10 years inclusive of repayment holiday. WC-Tenable for One year

2. LAGHU UDHYAMI CREDIT CARD SCHEME (LUCC)

Purpose: To meet working capital requirement

Eligibility: All existing small borrowers – Micro and small enterprises including artisans, village industries, professional and self-employed. Retail traders are also eligible. Eligible borrower should have satisfactory dealings with the Bank for the last 3 years. Parties with continuous satisfactory dealings for a minimum of 3 years but not having any liability are also eligible

Quantum: Total aggregate limit including the one under the scheme should not exceed Rs.10 lakhs

Rate of interest: As per prevailing guidelines of the Bank linked to MCLR of the Bank, subject to changes from time to time

Repayment: The limit is valid for 3 years subject to annual review

3. CANARA CONTRACTOR SCHEME

Purpose:To provide working capital assistance (fund based/non fund based) for working capital needs and Term Loan for purchase of brand new equipment/office premises to the existing and prospective contractors/sub-contractors.

Eligibility: MSME (service units) engaged in contractor/sub-contractor activity and falling within the meaning of Micro, Small & Medium Enterprises as defined in MSMED Act, 2006.

Type of Contractors: Civil, Mining and Construction Contractors and subcontractors

Quantum: Above Rs. 10 Lakhs upto a Maximum of Rs.10 crores. Term Loan to the maximum of Rs.5 Crores is permissible.

Rate of Interest: As per prevailing guidelines of the Bank linked to MCLR of the Bank subject to change from time to time Concession ranging from 0.50% to 0.75% as per the ROI scoring norms devised for this scheme

Repayment: Maximum 7 years for Term Loan

4. MSME VAHAN

Purpose:For purchase of brand new vehicles as business assets/ business purpose only. (Two wheelers, Passenger cars/vans/Jeeps) Goods carriers are not eligible to be purchased under this scheme.

Eligibility:Existing and new customers under MSME – Mfg. and Services including Retail Traders

Quantum:90% of the “On Road Cost” with a maximum of Rs. 25.00 lakhs. 5 Margin 10% on “On Road Cost”

Interest:One year MCLR+0.80% p.a. (floating)

Repayment: Two Wheelers: Maximum 60 EMIs Four Wheelers: Maximum 84 EMIs

5. MSE VIJETA

Purpose: To meet business related needs including purchase/ construction of business premises, machinery, and equipment’s, vehicles and working capital requirements of WOMEN under Micro and Small Enterprises including Retail Traders.

Eligibility: Individuals, Proprietorship concern, Partnership firm, LLP, Corporate bodies (In case of Partnership Firm, the majority of partners should be women and in case of Companies the management should be controlled by the Women).

Quantum of finance: Above Rs. 10.00 lakhs and uptoRs. 2.00 Crores

Rate of interest: One year MCLR + 1.30% p.a. To 1.55% p.a. * **Based on Internal Risk Rating of the Borrower

Repayment: Maximum 84 months including suitable moratorium, WC - Tenability of 2 years subject to annual review

6. Pradhan Mantri Mudra Yojana (PMMY)

Purpose: To fund the unfunded Micro, Small and Medium (MSME) Enterprises by bringing them to the formal financial system and extending credit to them.

Eligibility: Non-Corporate Small Business Segment (NCSBS) comprising of Individuals /proprietorship / partnership firms running as small manufacturing units, whose financing needs are less than 10 lakhs subject to satisfying Micro, Small and Medium Enterprises (MSME) (Manufacturing/Service) definition.

Variants: 1. Shishu Loan amount up to Rs.50000/- 2. Kishore Loan amount from Rs.50001 to Rs.500000/- 3.Tarun Loan amount from Rs.500001 to Rs.1000000/-

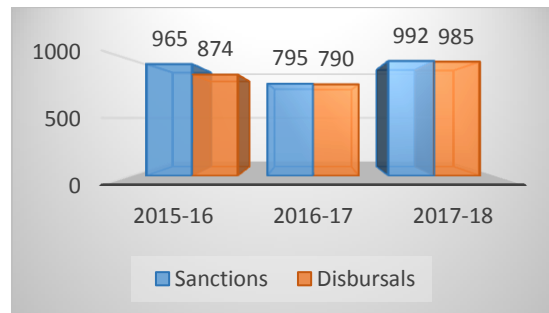
Rate of interest: As per prevailing guidelines.

Repayment: Maximum of Seven years

II. Amount of Sanctions and Disbursals under various variants of Pradhan Mantri Mudra Yojana (PMMY) scheme during the last three years.

1. Variant: Shishu

Year	Sanctions	Disbursals
	(Amt. in Crores)	(Amt. in Crores)
2015-16	965	874
2016-17	795	790
2017-18	992	985
Total	2752	2649

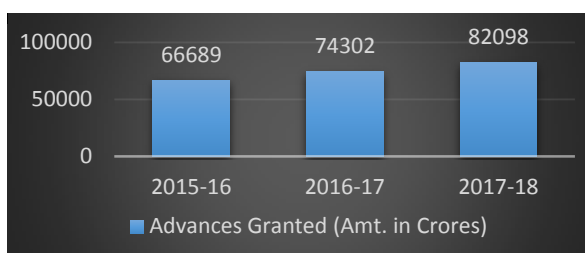


Source: Annual Report of Canara Bank

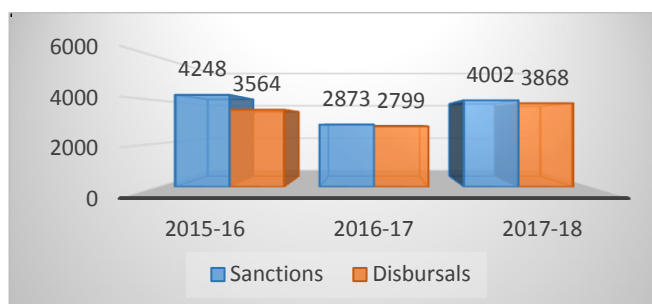
The above table shows the amount of sanctions and disbursals made over the period of three years under Shishu variant of Pradhan Mantri Mudra Yojana (PMMY). The graph shows that there was a demand for this variant of scheme when it was newly implemented i.e. in the year 2015-16. But in the year 2016-17 the amount of sanctions and thereby the disbursals were decreased to a certain extent. In the year 2017-18, its sanctions rose to Rs. 992 crores as compared to Rs. 795 crores in the year 2016-17. Similarly amount of Disbursals in the Year 2017-18 increased to Rs. 985 crores as compared to Rs.790 crores in the year 2016-17.

2. Variant: Kishor

Year	Advances Granted (Amt. in Crores)
2015-16	66689
2016-17	74302
2017-18	82098



Year	Sanctions	Disbursals
	(Amt. in Crores)	(Amt. in Crores)
2015-16	4248	3564
2016-17	2873	2799
2017-18	4002	3868
Total	11123	10231

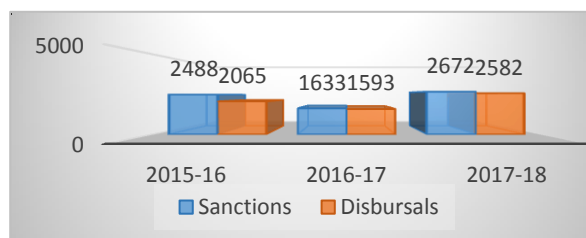


Source: Annual Report of Canara Bank

It can be seen from the above table and graph that the amount of Sanctions and Disbursals under Kishor variant of Pradhan Mantri Mudra Yojana scheme was Rs. 4248 Crore and Rs. 3564 crore respectively in the year 2015-16 and which has tremendously decreased in the year 2016-17. In the year 2017-18, it can be observed that amount of sanctions and disbursals have increased as compared to previous year.

3. Variant: Tarun

Year	Sanctions	Disbursals
	(Amt. in Crores)	(Amt. in Crores)
2015-16	2488	2065
2016-17	1633	1593
2017-18	2672	2582
Total	6793	6240



Source: Annual Report of Canara Bank

From the above table, it can be observed that the amount of funds approved and disbursed was Rs. 2488 crores and Rs. 2065 Crores respectively. In the year 2016-17, the number of MSME’s who has applied for mudra scheme loan has decreased and there by the amount of sanctions and disbursals also decreased. But due to awareness created by credit camps about the mudra scheme, the number of applicants opted for mudra scheme has increased and there by the amount of sanctions and disbursals also increased in the year 2017-18.

III. Advances Granted to MSME’s Sector by Canara Bank:

Source: Annual Report of Canara Bank

The above table shows the advances granted to MSME’s Sector by Canara bank. It can be clearly understood from the graph that, there has been continuous increase in the amount of advances granted to the MSME’s sector over the period of three years.

IV. Initiatives taken by Canara bank to promote MSME’s in India

1. SME Specialized Branches and SME Sulabhs (Specialized SME Loan Processing Centres) are set up throughout India for faster processing of credit proposals. As of now 167 SME Specialized Branches and 52 SME Sulabhs are functioning across the country.

2. Mega Credit camps are conducted to create awareness and pool sources for increased credit flow to MSME's sector.
3. Summits were arranged for Start-up Entrepreneurs involving distinguished guest from different Government Departments and local industrial bodies/ organizations for necessary inputs and guidance for successful entrepreneurship.
4. MSME consultancy Services cells were set up for project report preparation, appraisal and other consultancy services to MSME entrepreneur.
5. In order to support the marketing efforts of the MSME entrepreneurs, the bank has a website www.canbankEmart.com and e-store to display their products.
6. Micro Enterprises Business Centers were established at Circle Offices for handholding Micro Enterprises.
7. Entrepreneur Development Centre at Head Office have been set up catering to the needs of budding entrepreneurs by way of assimilation of information regarding the challenges and opportunities under MSME.
8. An exclusive set up established at Head office to look after the aspects like monitoring, slippage management and handholding in times of stress by way of rehabilitation and restructuring of MSME units as per Government guidelines.
9. The bank has also instituted awards for best performing MSME entrepreneurs at state level to promote and encourage entrepreneurship amongst the youth.
10. Centre for Entrepreneurship Development for Women (CEDW) has been set up which is working towards economic empowerment of women. These CEDWs have reached potential entrepreneurs, undertook counseling, supported their training needs, provided finance and arranged marketing facilities.

7. CONCLUSION

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy and as per the study conducted Canara Bank is playing a very important role in promoting MSME's in India. As far as schemes are concerned Canara Bank provides varied option for these enterprises to meet their capital requirement in the form of schemes which are specifically designed for the purpose of meeting working capital requirements of various micros, small and medium enterprises. The second objective of the study was to study amount of sanctions and disbursals under Pradhan Mantri Mudra Scheme. It can be concluded from the study that this scheme got a good a good response from the MSME's enterprises. Though the amount slightly decreased in the year 2016-17, Canara Bank through their initiatives and awareness program regained the position in the year 2017-18. As far as advances granted to MSME's sector is concerned, it shows increasing trend over the period of three years and it indicates the role played by the Canara Bank in meeting the needs of the enterprises through various schemes offered by them. Lastly as far as initiatives are concerned, it can be concluded that, initiatives such as Entrepreneurship Development Centers, SME specialized branches, various types' schemes etc. offered by Canara Bank plays a very important role in promoting MSME's in India

8. REFERENCES

- www.academia.edu
- www.Shodhganga.inflibnet.ac.in
- www.quora.com
- <https://msme.gov.in>
- <https://www.canarabank.in>
- Annual Reports of Canara Bank