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RESEARCH PAPER

Institutional Finance to Micro, Small and Medium Enterprises in Agra

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ABSTRACT

An attempt has been made in this research paper to give a working definition of micro, small and medium enterprises (MSME). In fact, this paper is also an exploration into the historical and industrial dimension of the city of Taj, Agra. Issues relating to finances to MSME in Agra zone have also been highlighted. Things seem to be looking up. But all is not well with MSME. Adequate Finance is one of the serious challenges that MSME faces today. Despite some efforts made by the central government in this regard no major breakthrough so far as per the guidelines of the Reserve Bank of India has been made.

Key words: Advance, finance, Institutional, MSME

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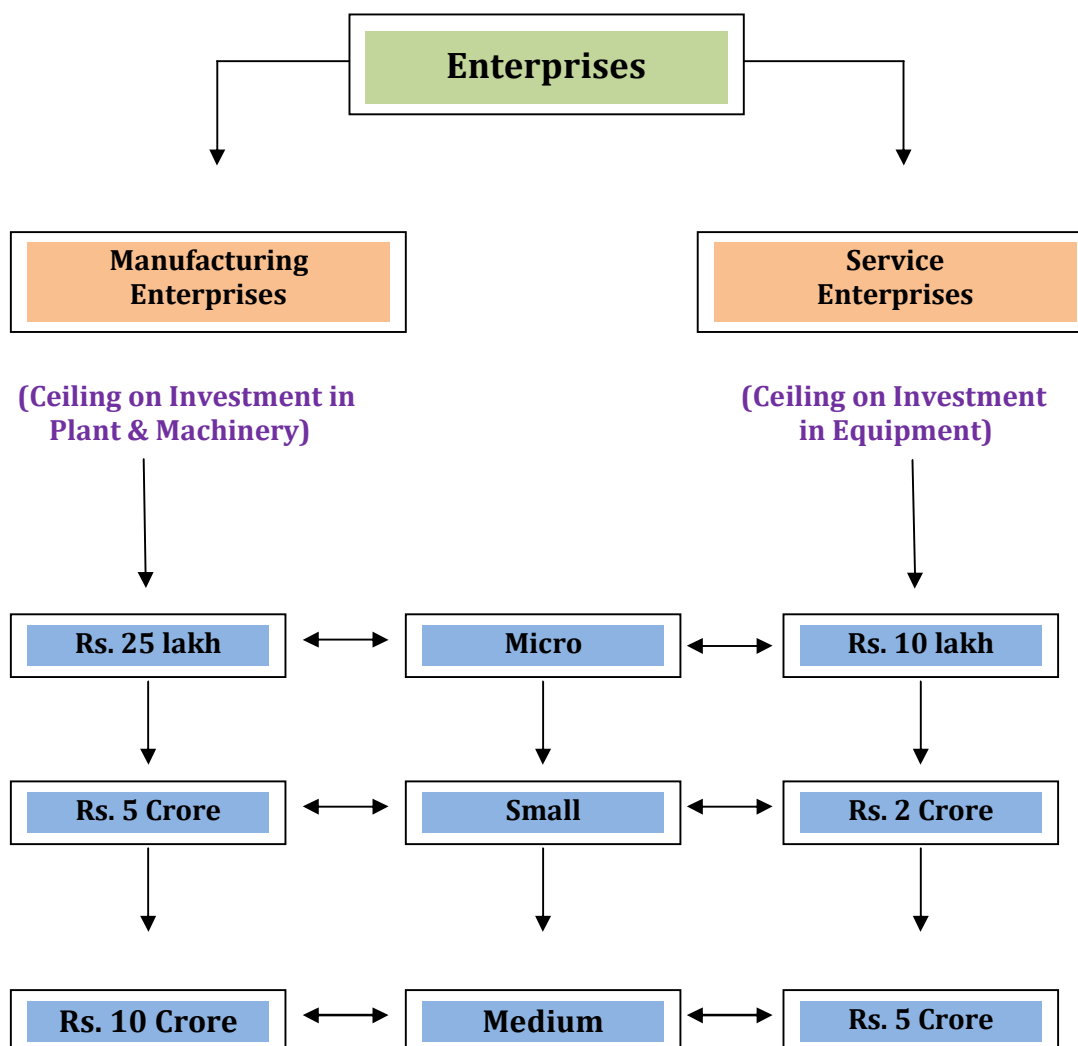
INTRODUCTION

Historicity and economy represent two different facets of Agra. If the city of Taj figures prominently in the list of world Heritage of Unesco, this should not be taken to mean that Agra is not much lagging behind other cities of Uttar Pradesh. It is interesting to know that Agra had twice been the national capital of India. Also it has a very strong industrial base. It provided an environment conducive to the growth and development of the industry- Agro based, soda water, cotton textile, woolen, silk, artificial thread based clothes, jute and jute based, wood and woolen based etc. Last but not least, let us introduce MSME. In fact, this research paper addresses issues such as those relating to institutional finance in Agra zone. Since its inception MSME has been on the forefront of industrial growth. Finding a solution to the problems of institutional finance is one of the serious challenges that the Agra Zone in particular and U.P. in general is facing. All criticism notwithstanding MSME is economically, financially and commercially viable. It is remarkably difficult to define MSME. This term has been defined, developed and discussed in MSMED Act 2006. The chart given below illustrates some of the striking features of MSME.

The above chart shows that in manufacturing Enterprises, a Micro enterprise where the investment in plant and machinery does not exceed twenty five lakh rupees, a small enterprise where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees and a medium enterprise where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees. On the other hand in service enterprises, a micro enterprise where the investment in plant and machinery does not exceed ten lakh rupees, a small enterprise where the investment in plant and machinery is more than ten lakh rupees but does not

exceed two crore rupees and a medium enterprise where the investment in plant and machinery is more than two crore rupees but does not exceed five crore rupees.

Chart 1: Classification of MSME



INSTITUTIONS PROVIDING FINANCIAL ASSISTANCE TO MSME

No industry can ever flourish without adequate finance. The main source of industrial credit to micro, small and medium Enterprises in Agra Zone are commercial Banks. Regional Rural Banks, Cooperative Banks, and State Finance Corporation. These units advances directly to Micro, Small and Medium Enterprises.

Among these institutions making direct finances commercial bank's share is maximum. Commercial Bank and State Finance Corporation provide both type of Credits, for fixed capital as well as working capital under the rules and regulations framed by Reserve Bank of India. The Regional Rural Bank and Co-operative Banks finance mainly for working capital.

YEAR WISE SURVEY

The following table gives us a picture of banks advances to MSMEs units in Agra zone in the year from 2010-11 to 2014-15.

The year wise table from 2010-11 to 2014-15 shows that there is an increasing trend of deposits of Commercial Bank, R.R.B. and Cooperative Bank also. Similar is the trend of the

total advances of these institution during last five years. Advances to MSMEs by Commercial Bank was Rs. 181418 lakh, by R.R.B. Rs. 639 lakh and by Cooperative bank Rs. 990 lakh in the year 2010-11. Thus the total advances to MSMEs by these institution is Rs. 183047 lakh, it is nearly 21.47% of the total advances given by all the above institutions. In the year 2011-12 total deposit of Commercial Bank increase to Rs. 1436554 lakh, of RRB Rs. 79499 lakh and Cooperative bank Rs. 11741 lakh. Thus the total deposit of all these institution became Rs. 1527794 lakh. Similarly the total advance of Commercial bank in the same year was Rs. 878713 lakh, RRB's advance Rs. 34715 lakh and Cooperative bank advances Rs. 34661 lakh thus the total advances rose to Rs. 948089 lakh. The credit granted to MSMEs in the year was total Rs. 176448 lakh of which the Commercial Bank has provided Rs. 172893 lakh, RRB Rs. 682 lakh and Cooperative Bank Rs. 2873 lakh. The advances to MSMEs is nearly 19% of the total advances of these institutions.

Table 1: Year wise Table of Institutional Financing to MSME (Rupees in lakh)

Particulars	2010-11			2011-12			2012-13			2013-14			2014-15		
	Comm. ank	RRB	Coop. Bank	CB	RRB	Coop. Bank	Comm. ank	RRB	Coop. Bank	Comm. ank	RRB	Coop. Bank	Comm. ank	RRB	Coop. Bank
No. of Branch	270	38	26	291	40	25	347	50	25	386	51	25	394	51	25
Total Deposit	1255733	70627	10906	1436554	79499	11741	1673411	96313	11962	1946908	100896	14608	2109945	107445	13838
Total Advance	787779	32018	32591	878713	34715	34661	1024594	41140	33474	1240670	52685	29146	1331493	55316	26181
Advance to MSMEs	181418	639	990	172893	682	2873	231595	1128	-	293304	2501	7438	362067	3629	0
% of Total Advance	23.03	2	3.04	19.68	1.96	8.29	22.60	2.74	-	24.17	4.75	25.52	27.19	6.56	0
CD Ratio of Commercial Bank	62.70			61.20			61.2			63.7			63.10		

Source: Canara Bank (Lead Bank) Kamla Nagar Agra.

Table 2: Year wise Table of Institutional Finance to MSME

Particulars	2015-16			2016-17		
	Commercial bank	RRB	Cooperative bank	Commercial Bank	RRB	Cooperative Bank
No. of Branch	395	51	25	412	51	25
Total Deposit	2487376	127314	15093	3008651	148417	17402
Total Advance	1568032	67782	25335	1815310	80550	26323
Advance to MSME'S	481285	4287	1915	565445	4846	1569
Percentage of total advance	31%	6%	8%	31%	6%	6%

Source: Canara Bank (Lead Bank) Kamla Nagar Agra.

In the year 2012-13 the total deposits of these different institutions are Rs. 1781686 lakh. Total advances are Rs. 1099208 lakh. Out of these total advances nearly 21% went in the share of MSMEs that is Rs. 232723 lakh. In the year 2013-14 the total deposit increased to Rs. 2080412 lakh and the total advances went up to Rs. 1322501 lakh. Advances to MSMEs also increased to Rs. 303243 lakh which is nearly 23% of the total advances of

these institutions in the current year 2014-15 the deposit of these institutions are Rs. 2231228 lakh and total advances are Rs. 1412990 lakh. Total financing of MSME sector Rs. 365696 lakh out of which Commercial Banks has advance Rs. 362067 lakh and RRB Rs. 3629 lakh. Cooperative bank have not advance to this sector in the current year.

Here is another table showing bank advances to MSME units in Agra Zone in the year from 2015-2016 to 2016-17.

A Quick look at year wise table (2015-16 to 2016-17) of institutional financing to MSME in Agra zone enables us to update our financial information regarding MSME. Deposits of commercial bank RRB and cooperative Bank is in ascending order. There is also a growing trend in total advances of these institutions during 2015-16 to 2016-17. Advances to MSME by commercial bank was Rs. 481285 lakh by RRB Rs.4287 lakh, by cooperative bank Rs. 1915 Lakh in the year 2015-16. Thus the total advances to MSME by the above mentioned institutions Rs. 487487 Lakh. It is nearly 29.35% of the total advance given by aforesaid institutions.

In the year 2016-17 total deposit the commercial bank nose form Rs. 2487376 to 3008651, of RRB form Rs.1273140 to Rs. 148417 and cooperative Bank from Rs. 15093 To Rs. 17402. Thus the total deposit of all these institutions was Rs.3174470 lakh. Similarly the total financial assistance from commercial bank In the same year was Rs. 1815310 Lakh RRB advance Rs. 80550 and cooperative bank advance Rs. 26323 lakh thus the total advance rose to Rs. 26323 lakh .Credit granted to MSME. in the year was total Rs. 571860 lakh of which the commercial bank has provided Rs.565445 lakh, RRB Rs. 4846 lakh and cooperative bank Rs.1569 lakh. Advance to MSME comes around 30% of the total advances of these institutions.

CONCLUSION

The figures also reveal that out of the total advances of different financial institutions, the percentage of MSME advances is below 35% from the year 2010-11 to 2016-17. The Reserve Bank of India has directed the financial institutions to provide advances to these enterprises not below 40% of their total advances. This percentage of commercial bank in these working year is in between nearly 23% to 31% where as Regional Rural Bank(RRB) percentage is in between 2% to 6% of their total advance. Similar is the case with Cooperative banks. This percentage is between 3% to 6% of their total advance.

In the final analysis it can be said that there is an increasing trend in the advances given to MSME by a number of banks such as commercial Regional Rural bank and cooperative banks in Agra region. But the target achieved by the above mentioned banks is not in keeping with the guide lines drawn by the Reserve Bank of India.

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