

A STUDY ON ADVANCE TO SME SECTOR AND BANK FINANCE IN SME'S PERSPECTIVE

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ABSTRACT

A major bottleneck to the growth of the vital Indian small and medium sized sector is its lack of access to finance. SME Finance is the funding of small and medium sized enterprises (SMEs) has been a subject of great interest both to policy-makers and researchers because of the significance of SMEs in private sectors and represents a major function of the general business finance market in which capital for firms of types is supplied, acquired, and cost/priced. In developed and developing countries, on average, SMEs account for close to 60% of manufacturing employment. More importantly, a number of studies using firm-level survey data have shown that SMEs not only perceive access to finance and the cost of credit to be greater obstacles than large firms, but these factors constrain SMEs more than large firms. Banks are the main source of external finance for SMEs. Furthermore small banks are more engaged in relationship lending whereas the large banks have a comparative advantage at financing SMEs through arms-length lending technologies instead of relationship lending. Capital is supplied through the business finance market in the form of bank loans and overdrafts; leasing and hire-purchase arrangements; equity/corporate bond issues; venture capital or private equity ; and asset- based finance such as factoring and invoice discounting. Early studies on SMEs financing shows that bank credit is the major source of external finance for the SME. Both small and large banks play a vital role in financing SMEs. This project is all about the study on Advance that is given to the industries that fall under the SME sector and if and how well that Public banks and Private banks out there are providing various credit facilities to the industries that fall under the same category. It also examines the major issues faced by the entrepreneurs while accessing finance in the Indian context. This study contains the preferences of the industrial owners in regard to the credit facilities and options provided by the banking sector. The whole idea with which this project is done is that, whether the banks provide proper credit facilities and whether the beneficiaries are satisfied with those given facilities. It also contains suggestions given by the beneficiaries of the banks to improve it functions.

KEYWORDS: Finance, SMEs, Capital, Entrepreneurs