



## **PROBLEM OF ENTREPRENEURS ON AVAILING SME LOAN SCHEME IN BANKING AND NON-BANKING COMPANIES IN COIMBATORE DISTRICT**

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### **Abstract:**

Entrepreneur's access to financial resources is vital for the growth of small and medium-sized enterprises (SMEs). In Coimbatore District, entrepreneurs face significant challenges in obtaining SME loans from both banking and non-banking companies. This article explores the hurdles faced by entrepreneurs in accessing these loan schemes and proposes recommendations to address these issues.

**Key Words:** Entrepreneurs, SME Loan Scheme, Banking Institutions, Non-Banking Companies,

### **Introduction:**

In the vibrant landscape of Coimbatore District, budding entrepreneurs are faced with challenges in accessing Small and Medium Enterprise (SME) loan schemes offered by both banking and non-banking institutions. The complexities surrounding this issue have created barriers for aspiring business owners, hindering the growth and development of SMEs within the district. The growth and sustainability of SMEs are crucial for economic development. In Coimbatore District, entrepreneurs encounter obstacles when attempting to access SME loan schemes provided by banking and non-banking entities. This article delves into the challenges faced by these entrepreneurs in securing vital financial support for their ventures.

### **Review of Literature:**

Past research has highlighted several impediments that hinder entrepreneurs' access to SME loans. Factors such as stringent eligibility criteria, lack of collateral, bureaucratic processes, and a reluctance from financial institutions have been identified as significant barriers. Understanding these challenges is critical in finding viable solutions for entrepreneurs in Coimbatore District.

Raghunathan, A., Remesh, K., & Viswanathan, P. (2022) the challenges faced by the micro enterprises during Covid-19, understand the various coping mechanisms adopted by these microenterprises during the crises, examine types of assistances received by the micro enterprises during study.

Prof. P. Sheela., & Mr. Pavan Kumar Raju (2017) Identified the current challenges faced by the MSME sector through the literature review with specific focus on challenges related to get credit from banks. The study approaches the issue from two different angles. Factors that discourage financial institutions from lending to small businesses; and the factors that discourage small businesses from borrowing from formal sources of credit.

### **Statement of the Problem:**

The primary concern is the difficulty faced by entrepreneurs in Coimbatore District when seeking to avail themselves of SME loan schemes from both banking and non-banking institutions. These challenges obstruct the growth and potential success of SMEs, impacting the local economy.

### **Objectives:**

- To identify the specific challenges encountered by entrepreneurs in accessing SME loan schemes
- To analyze the existing loan procedures and criteria set by banking and non-banking institutions in Coimbatore District

### **Research Design:**

The methodology section aims to outline the systematic approach undertaken to investigate the challenges faced by entrepreneurs in Coimbatore District while accessing SME loan schemes offered by both banking and non-banking institutions. The methodology includes the strategy for data collection, analysis, and interpretation. This research adopts a mixed methods research design, integrating both qualitative and quantitative approaches to gain comprehensive insights into the problem.

### **Data Collection:**

- Primary Data: Distribute structured questionnaires to a sample of entrepreneurs to gather specific data on their interactions with lending institutions and the challenges encountered during the loan application process.

- Secondary Data: Review existing literature, reports, academic studies, and relevant documents from banking institutions, governmental sources, and research publications to gather secondary data. This will complement and support the primary findings.

#### **Data Analysis:**

##### **Quantitative Analysis:**

Employed statistical tools and software to analyze survey data and responses from questionnaires. Use descriptive statistics to quantify the frequency and distribution of challenges faced by entrepreneurs in accessing SME loan schemes.

##### **Qualitative Analysis:**

Perform thematic analysis on interview transcripts and qualitative data collected to identify recurring themes, patterns, and insights. Utilize coding techniques to categorize qualitative data and extract meaningful information.

##### **Interpretation of Data:**

Interpret both quantitative and qualitative findings collectively to derive comprehensive insights into the challenges faced by entrepreneurs in Coimbatore District regarding SME loan schemes. Compare and contrast data from different sources to gain a holistic understanding.

##### **Data Collection:**

- Primary Data: Surveys, interviews, and questionnaires will be conducted among entrepreneurs in Coimbatore District to gather firsthand insights into their experiences while applying for SME loans.
- Secondary Data: Existing literature, reports, and data from financial institutions, government sources, and academic studies will be reviewed to complement primary findings and provide a comprehensive understanding of the issue.

##### **Analysis and Interpretation:**

The collected data will be analyzed to uncover the specific challenges faced by entrepreneurs, assess existing loan procedures, and interpret the implications for SMEs in Coimbatore District.

Variables	Factors	%
Demographic	Age (36 - 45)	81
	Gender (Male)	83
	Education level (Graduates)	79
	Years of experience in entrepreneurship (>10 Years)	76
Financial Accessibility	Previous loan application experience	68
	Loans applied	71
	Reasons for seeking loans	69
	Perception of loan accessibility	68
Challenges Faced	Understanding of loan application procedures	71
	Awareness of available SME loan schemes	68
	Perceived difficulties in meeting eligibility criteria	70
	Experience with collateral requirements	69
	Perception of interest rates and repayment terms	71
	Bureaucratic hurdles during loan application	72
Lender-Related	Satisfaction level with the support provided by banking and non-banking institutions	73
	Perception of transparency in the loan process	68
	Trust in the credibility of lending institutions	67
	Interaction with loan officers or representatives	68
Awareness and Knowledge	Awareness of government initiatives or schemes supporting SMEs	70
	Level of financial literacy	66
	Sources of information	69
Impact and Outcome	Business growth impacted by loan accessibility	71
	Perception of the loan's impact on business sustainability	68
	Effect of loan accessibility on job creation or maintenance	70
Suggestions and Expectations	Improving loan accessibility	58
	Expected changes	64

##### **Findings:**

The analysis reveal the different challenges, including bureaucratic complexities, stringent eligibility criteria, lack of financial literacy, and discrepancies in lending policies between banking and non-banking institutions.

**Suggestions:**

Based on the findings, recommendations will be proposed to streamline loan application processes, enhance financial literacy among entrepreneurs, and bridge the gap between SMEs and lending institutions in Coimbatore District.

**Scope for Further Study:**

Future research could delve deeper into policy interventions, conduct comparative studies with other regions, and explore technological advancements that could facilitate SMEs' access to finance.

**Conclusion:**

The challenges faced by entrepreneurs in Coimbatore District while seeking SME loans hinder economic progress. Addressing these challenges is imperative for fostering an environment conducive to SME growth and the overall development of the district. The challenges faced by entrepreneurs in accessing SME loan schemes from both banking and non-banking entities in Coimbatore District present multifaceted hurdles that impede the growth and development of small and medium-sized enterprises. Addressing these issues demands a collaborative effort between financial institutions, policymakers, and entrepreneurs themselves to streamline processes, enhance accessibility, and foster a more conducive environment that facilitates easier access to crucial financial support for aspiring and established entrepreneurs in the region.

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