

Evaluation of the disbursement of bank credit with respect to Entrepreneurs

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Abstract— Bank credit serves a very significant role in promotion of entrepreneurship. It provides the capital for the fixed & working capital requirements of the organization. However it is not so easy for the entrepreneurs to avail the Bank credit as numerous challenges are faced by the entrepreneurs in this process, there are many formalities they need to complete. Also there are some obstacles they need to face while getting credit from banks. The obstacles while acquiring the credit can be higher interest rates, need of collaterals, Financial Standing, complex documentation etc. This study aims to evaluate the availability of credit, procedures, norms and other related issues with respect to bank financing from the point of view of entrepreneurs.

Keywords— Bank, Entrepreneur, Bank Credit, Loan Disbursement, Financial Standing

1. INTRODUCTION

A bank is a financial institution that takes deposits from the public and disburses credit to those who need it. Banks give interest on accepted deposits and charge interest on the loans extended. The difference between the lending rate of interest and rate of interest given on deposits is known as spread. The Banks provides loans to public, firms, organizations, entrepreneurs, etc. However the banks have started following strict norms for disbursement of loans due to high increase in nonperforming assets. As if the loans are disbursement without taking precautionary measures the loan might become a NPA. Due to this the entrepreneurs find it difficult to acquire bank finance. An entrepreneur is the one who creates something new, a business or a company. The entrepreneur is in the beginning of a project and thus requires finances to establish the same. One of the source of finance other than personal savings and loan from friends and relatives is the Bank finance. However it is not so easy for the entrepreneurs to get bank loan as numerous challenges are faced by the entrepreneurs in this process. The obstacles while acquiring the credit

can be higher interest rates, need of collaterals, Financial Standing, complex documentation etc.

2. RESEARCH METHODOLOGY

a. Objectives:

1. To Study and Analyze Bank Finance
2. To study and Analyze the areas of concern in procedure of acquiring loan
3. To study and Analyze the areas of concern in disbursement of loan

b. Sample Size:

For the purpose of research study a sample of 100 entrepreneurs who have availed bank credit was taken.

c. Data Collection:

A questionnaire related to bank credit was given to 100 entrepreneurs for their opinions on the process of acquiring bank credit. The primary data so collect was then analyzed to draw conclusions.

3. DATA ANALYSIS

The amount granted by the banks relative to the amount requested

		Frequency	Perc ent	Vali d Perc ent	Cumul ative Percent
Valid	Highly Satisfie d	5	5	5	5
	Satisfie d	18	18	18	23
	Neither Satisfie d nor Dissati sfied	37	37	37	60
	Dissati sfied	29	29	29	89
	Highly Dissati sfied	11	11	11	100
	Total	100	100	100	

Interpretation

5% of the respondents are highly satisfied with the amount of loan granted by the banks relative to the amount requested by the respondents, 18% are satisfied with that, 37% are neither satisfied nor dissatisfied, 29% are dissatisfied and 11% are highly dissatisfied

1. Time to process the loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Satisfied	3	3	3	3
	Satisfied	28	28	28	31
	Neither Satisfied nor Dissatisfied	40	40	40	71
	Dissatisfied	29	29	29	100
	Total	100	100	100	

Interpretation

Only 3% respondents are highly satisfied with the time taken by bank to process the loan, 28% are satisfied, 40% are neither satisfied nor dissatisfied and 29% are dissatisfied. However no respondent is highly dissatisfied.

2. Guarantees required by the Banks (personal and corporate)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Satisfied	11	11	11	11
	Satisfied	40	40	40	51
	Neither Satisfied nor Dissatisfied	18	18	18	69

Dissatisfied	20	20	20	89
Highly Dissatisfied	11	11	11	100
Total	100	100	100	

Interpretation

11% of the respondents are highly satisfied with the guarantees required by the institutions, 40% are satisfied, 18% are neither satisfied nor dissatisfied, 20% are dissatisfied and 11% are highly dissatisfied.

3. The possibility of negotiating the terms of the contracts (reimbursement conditions, service fees, etc.)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Satisfied	11	11	11	11
	Satisfied	20	20	20	31
	Neither Satisfied nor Dissatisfied	49	49	49	80
	Dissatisfied	11	11	11	91
	Highly Dissatisfied	9	9	9	100
	Total	100	100	100	

Interpretation

11% of the respondents are highly satisfied with the possibility of negotiating the terms of the contracts, 20% are satisfied, 49% are neither satisfied nor dissatisfied, 11% are dissatisfied and 9% are highly dissatisfied.

4. The Bank's support to your enterprise when business is good as well as when times are harder

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Satisfied	9	9	9	9
	Satisfied	22	22	22	31
	Neither Satisfied nor Dissatisfied	40	40	40	71
	Dissatisfied	29	29	29	100
	Total	100	100	100	

Interpretation

9% of the respondents are highly satisfied with the support given by Banks to the enterprise when business is in good time as well as business is in harder times, 22% are satisfied, 40% are neither satisfied nor dissatisfied and 29% are dissatisfied.

5. Overall Satisfaction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Satisfied	60	60	60	60
	Neither Satisfied nor Dissatisfied	40	40	40	100
	Total	100	100	100	

Interpretation

60% of the respondents have shown overall satisfaction where as 40% are neither satisfied nor dissatisfied.

6. Problem faced with Loan

Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	High Interest Rate	19	19	19	19
	Documentation required	24	24	24	43
	Delay in Loan Disbursement	31	31	31	74
	Conditions on Release of Credit	26	26	26	100
	Total	100	100	100	

Interpretation

31% of the respondents face the problem because of delay in Loan Disbursement, 26% of the respondents are not happy with the Conditions on Release of Credit, 24% of the respondents are dissatisfied with the Documentation required bank while processing the loan and remaining 18% are dissatisfied because of the high interest rates charged by the banks.

7. Obstacles faced while applying for loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Collateral Security	28	28	28	28
	Financial Standing	22	22	22	50
	Inconsistency of Cash flows	23	23	23	73
	Presenting the proposal	13	13	13	86
	Lack of standardized accounting system	14	14	14	100
	Total	100	100	100	

Interpretation

The respondents faced following obstacles while applying for loan: 28% of the respondents faced the problem related to Collateral Security, while 23% of the respondents faced the problem of Inconsistency of Cash flows, 22% of the respondents faced Financial Standing, 14% of the respondents were not Lacking the standardized accounting system and remaining 13% were not able to present the proposal properly.

4. CONCLUSION

Bank credit serves as an apex source of finance for the entrepreneurs thus it aids in encouraging entrepreneurship. However there are certain loopholes in the process of acquiring bank finance through banks. The amount granted by the banks might be proportionately lower than the amount requested for finance also there is lot of delay to process the bank loan.

Prominent problems pertaining to getting the bank credit are higher interest rates charges by the banks, complex documentation, delay in disbursement of loan and release of credit. Also the possibility of negotiating the terms of the contracts like reimbursement conditions, service fees, etc is not always possible with all the banks.

Further the requirement of guarantee and collateral security is also a problem as all the entrepreneurs looking for bank finance might not be having collaterals. Other issues that discourage taking bank credit are financial standing, Inconsistency of Cash flows, Presenting the proposal & Lack of standardized accounting system. Therefore though bank finance is apex source for the entrepreneurs it is essential to streamline the credit disbursement by the banks to encourage self employment opportunities.

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