
THE BANKING SECTOR'S CRUCIAL ROLE IN THE DEVELOPMENT OF UTTARAKHAND STATE: STRENGTHENING SMALL AND MEDIUM BUSINESSES.

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The banking industry and small and medium-sized businesses are intricately linked. In actuality, both have a major impact on the economic growth of any nation or state, surpassing all other constraints. Perhaps both industries benefit from one another, particularly when it comes to their own market expansion or development. In this case, banks are crucial in helping SMEs obtain loans for their growth, and in exchange, SMEs give interest and the money they have earned from the banks to satisfy the requirements. As a developing country, India depends heavily on its SMEs to grow its economy and, as the saying goes, "expansion of SMEs results in the increase of employment, and import and export of the manufactured goods."

This review paper was created with the intention of examining the banking system's vitality and the results of bank-SMEs integration, particularly in the context of the recently created state of Uttarakhand, which is distinguished by its unique geographical relief features. In order to uncover the truth, the researcher primarily consulted previous literature in the form of books, magazine articles, newspaper articles, social media blogs, RBI reports, and other sources. Additionally, the paper highlights the ongoing progress in the relationship between Indian banks (both public and private) and SMEs. The state government's policies to support SMEs in halting migration, which is becoming a major concern, particularly in the state's hilly regions, will be covered in the paper. However, researchers also want to investigate and evaluate how banking policies affect SMEs' growth.

Keywords: *Healthy Extension, Interwoven, Integration, Migration, Terrain, Micro-economy.*

INTRODUCTION

The state of Uttarakhand is renowned for its versatility, which includes persistent plants and animals that live in the state's mountainous and deciduous forests as well as perennial rivers that flow from the interior of the Himalayas and gradually bring in massive amounts of silt to make the foothills suitable for agriculture. These perennial rivers also have a huge potential to produce hydroelectric power. The state is renowned for its tourist attractions, pilgrimage sites, iconic landscape, and nutritious foods like heath and malva. as well as medicinal and herbal plant species. Ironically, however, in contrast to its prosperity, the state is gradually descending into a chasm of poverty, suffering, migration, etc. Even worse was the COVID-19 pandemic, which not only made life difficult for the people of Uttarakhand but also brought about a dire economic situation. Because it is the largest employer and generates income due to the aggregation of other businesses, the tourism sector suffered during the unrest. Eventually, with government effort and policies to make the economy stable, slowly but steadily the transformation has been witnessed in the recent years; a new light of hope is bestowing upon the SMEs, and bank sector is playing pivotal role.

We must examine banking and MSMEs in detail in order to comprehend their dynamics and how they are related to one another in the context of economic development. In actuality, SMEs are essential to the economic growth of nations like China, the United States, and many European nations. A startling 98% of all businesses in a nation like China are classified as small businesses, meaning they employ 300 people or less. Together, these organizations generate more than 60% of the GDP, 50% of tax revenue, 75% of new jobs, and a substantial 68% of exports. This emphasizes how important small businesses are to China's economy, acting as the foundation of its employment and financial ecosystem. Linmao Iguo and Xianghui Ma. **Do Bank Sector garner the SMEs in Uttarakhand State-** Uttarakhand is still in the lap of her mother, and require proper care and nursing to a tree of fruition, and the purpose can only be mustered by the support of banks. Do the banks play any major support, let's analyze the relation between the two.

Credit Policy- Credit Policy: By facilitating easily accessible and reasonably priced credit, Uttarakhand's credit policy plays a crucial role in supporting SMEs. Many small and medium-sized businesses face challenges when attempting to obtain credit through traditional channels, such as official banking institutions. As a result, banks play a crucial role in easing this difficulty by providing SMEs with easily accessible and reasonably priced credit. This assistance promotes SMEs' growth and scalability while helping them overcome financial constraints.

Provision of Financial Advice and Services- It is observed that the banks provide guidance on risk assessment and financial management choices. These kinds of contributions are the healthy obligation symbol for SMEs' development and progress. Furthermore, since financial inclusion is crucial for small business owners, banks play a crucial role in advancing SMEs in underdeveloped states like Uttarakhand. The provision of appropriate, reasonably priced, and easily accessible financial products and services to the unserved and underserved population, including SMEs, is known as financial inclusion. By providing specialized financial products and services that cater to their particular requirements and preferences, banks can assist SMEs in Uttarakhand.

Capacity-building Support- By supporting training and skill development initiatives that assist SMEs in strengthening their management techniques, increasing their productivity, and growing their business operations, banks can also aid in the expansion and growth of SMEs in the state. Banks can help SMEs become more sustainable, profitable, and competitive by investing in their capacity.

Background- It is crucial for researchers to observe and examine the changes occurring in the relationship between SMEs and the banking sector in an era where central government policies are facilitating the growth of SMEs. This is particularly true given that the COVID-19 pandemic recently had a significant negative impact on small businesses, with Uttarakhand being an exception. There is some hope for investors in the SME sector because the government allocated Rs. 15,700 crores for MSMEs in 2021–2022, compared to Rs. 7,572 crores in 2020–21. Although there is great hope in the state of Uttarakhand as well, there are still concerns about the new policies' ability to curb migration and create jobs for people living in the difficult terrain.

Research Objectives- In order to meet the needs of SMEs, this research aims to thoroughly examine the complex landscape of SMEs and further its relationship with the banking sector. The primary objectives of this study are to assess the current state of the banking industry in Uttarakhand and examine how it affects the development and growth of small and medium-sized businesses (SMEs) that operate there. The provision of sufficient funding, digital infrastructure services, financial advisory services, and network access for SMEs will all be examined in this study. Additionally, it seeks to investigate how these services contribute to SMEs' overall sustainability and success. The study offers important insights into the advantages, disadvantages, and prospects for current and prospective SMEs in Uttarakhand by examining the relationship between SMEs and the banking industry. Furthermore, this study will help shape banking and government policies and initiatives aimed at promoting the expansion of SMEs and regional economic development.

Scope and Limitation- By giving SMEs access to the tools and networks they require to succeed, banks significantly contribute to the growth of the local economy. The impact of the banking industry goes beyond just providing money; it also includes advisory services, digital infrastructure, and collaborations that support SMEs' innovation and expansion. However, a number of obstacles limit the efficacy of banking services, such as strict lending standards, a lack of experience in specialized fields, and infrastructure-related difficulties. Some SMEs may not be able to realize their full potential as a result of these limitations, which could result in unequal access to resources.

LITERATURE REVIEW:

Report of World Bank (2014) - Small and Medium Businesses (SMEs) frequently rely on internal funding, which comes from shareholders, according to a 2014 World Bank report. There are two basic types of financing for businesses: internal and external financing. SMEs typically turn to long-term financing from financial institutions, mainly through bank loans and occasionally through hire purchase and leasing agreements. Retained or undistributed profits from prior years as well as new capital infusions from the small business owner or owners are common internal financing sources. On the other hand, suppliers, financial institutions, and other creditors may offer external financing.

Chugh, A. (2018) in his article 'This study explores the direct and indirect effects of the banking industry on the development and expansion of small and medium-sized businesses in Uttarakhand. The study emphasizes the importance of financial inclusion, credit accessibility, and financial products that are specifically designed to meet the needs of SMEs.

Another, researcher of the field, **Chandra, K., Singh, S. (2015)** Examine and explain how Uttarakhand's SMEs' productivity is affected by their access to financing. They emphasize in their writing how important loan terms, interest rates, and credit availability are to the expansion and success of SMEs.

According to The Research Bureau of Uttarakhand's 2014 report on SMEs and the banking industry, MSMEs in Uttarakhand produce (on average) gross annual sales of over Rs 23 crore in domestic markets and an average of Rs 3 crore in international markets. The report states that almost 46% of the respondents said their profits had

increased significantly, which is encouraging. However, the state also has a terrible time obtaining inputs from local and domestic markets. Their issues include interstate taxes, administrative bottlenecks, the state of law and order, the lack of suitable transportation, and easy access to financing.

Vipul Jain, Assistant Professor, Department of Management- Vipul Jain, an assistant professor in the Department of Management, offers insight into the industrial growth in Uttarakhand since 2003 in his article titled "A STUDY and SCOPE OF SME'S IN UTTARAKHAND AND PROBLEMS FACED BY THEM.". He emphasizes how the state's plains have seen substantial industrialization since the Center's 2003 announcement of the special package. But Jain places a strong emphasis on the necessity of inclusive growth, especially in isolated and hilly regions. The Integrated Industrial Development Policy 2008 was unveiled in February with the goal of promoting economic growth in these areas in order to address this. Through financial assistance and market incentives, the policy seeks to strengthen industrial infrastructure, encourage entrepreneurship, and create job opportunities. The policy aims to reduce economic backwardness and stop people from migrating to more developed areas in search of better livelihoods by focusing on manufacturing and service industries.

3. Challenges faces by SMEs in Uttarakhand-

The state is distinguished by two different topographies: the plain region and the hilly region. The mountainous regions are facing difficulties in industrial growth, but the state has adopted a positive stance toward industrialization on the plains. Notably, the hills have a wealth of raw material deposits in spite of obstacles. A more urgent issue, though, is the severe difficulties brought on by the state's sparse financial infrastructure, especially in its more isolated interior areas. These difficulties might significantly obstruct companies' expansion and development, which would then affect the region's general economic health.

Access to Capital Getting: - access to cash is one of the biggest issues Uttarakhand's SMEs face. Since many banks in the area do not issue small loans or loans without collateral, it is challenging for SMEs to get the money they need to expand. Since microenterprises frequently lack the assets required to obtain a loan from a typical bank, this problem is especially severe for them.

Financial Literacy- Many small business owners struggle to make well-informed financial decisions because they lack a thorough understanding of the intricacies of financial products. This results in subpar financial management, which eventually impedes the company's expansion. By offering SME owners financial education and training, banks may significantly contribute to the solution of this problem.

Bureaucratic Delays- When SMEs in Uttarakhand ask for loans from traditional banks, they frequently experience protracted delays. This is a serious obstacle to expansion since companies may require funding in order to grow swiftly and seize new opportunities. By expediting their loan application procedures and cutting down on the time it takes to approve and distribute loans to SMEs, banks may assist in resolving this problem.

Lack of Customized Financial Products- The absence of financial solutions that are specifically suited to the needs of SMEs in Uttarakhand is another issue they encounter. Standard financial products offered by many banks might not be appropriate for the particular requirements of SMEs. By providing a variety of financial products that are especially made to satisfy the needs of SMEs, like working capital loans and microloans, banks can aid in resolving this problem.

Advantageous of Banking sector for SMEs in Uttarakhand- The banking industry plays a critical role in the expansion and development of Small and Medium Enterprises (SMEs) in Uttarakhand. It serves as the foundation for industrial growth throughout in the nation, but particularly in the more isolated areas. One area that particularly needs significant financial assistance to help the development of its infrastructure is Uttarakhand. Banks are essential because they provide SMEs with resources, services, and financial support that boosts their competitive edge and enables them to take advantage of new opportunities. Even though the relationship between SMEs and the banking industry is fraught with difficulties, particularly for indigenous people who want to start their own businesses because they have to defend themselves in front of banks when they need loans, there are unquestionably important benefits that make SMEs viable for expansion.

Banks are the lime light for the mushrooming of SMEs in all corners of the state, as opportunities of setting plants are electrifying, only require guts and opportunities leverages by investments. And the banks are the only possibilities. The establishment of SMEs means growth in the GDP of the state, and thereby will improve the living standard of people living in the state. The following are the reasons-

Access to Finance- Access to financing may be one of the banking industry's biggest benefits for SMEs in Uttarakhand. Banks offer a range of financial services and products, including working capital loans, microloans, and loans without collateral, that are specifically designed to meet the needs of SMEs. These

financial resources help SMEs grow and develop more quickly by allowing them to expand their operations, invest in new equipment, and seize new market opportunities.

Technology Support -In addition to lending money to SMEs, the banking industry also offers infrastructure and technology support, which can greatly increase their production and operational efficiency. For example, banks provide online accounting and record keeping services, mobile banking apps, and digital banking solutions to enable quicker, more secure, and transparent transactions.

Financial Advisory- SMEs can benefit greatly from banking services in order to plan for future expansion, manage cash flow efficiently, and make informed financial decisions. In order to assist SMEs in navigating the intricacies of India's tax and regulatory environment, banks can also offer guidance on Value Added Tax (VAT) compliance, tax returns, and accounting procedures.

Network Access- By assisting SMEs in Uttarakhand in connecting with other companies, suppliers, and clients, the banking industry can also give them access to a network, offering them beneficial chances for cooperation, collaborations, and expansion. Additionally, banks can help SMEs access global markets and commerce, opening up new avenues for growth and diversification.

CONCLUSION

The banking industry plays a crucial role in the development and expansion of small and medium-sized businesses (SMEs) in Uttarakhand. By providing financial services, support systems, and networking possibilities, it advances economic development. By giving them access to necessary resources, these services help SMEs flourish and support regional and local economic development. However, barriers including strict lending standards, a lack of specific sector knowledge, and infrastructural delays might prevent some SMEs from accessing banking services, which reduces their chances of success. The banking industry must constantly innovate and adapt in order to provide services that are specifically designed to meet the particular difficulties faced by SMEs in Uttarakhand.

In order to improve outreach to SMEs, banks can also make a substantial contribution by forming alliances with governmental organizations and non-governmental organizations. Banks can start workshops and training programs through these relationships to help SMEs understand the different financial services, financing choices, and services that are accessible to them. This can help SMEs become more capable and confident in their ability to make important financial decisions.

To sum up, the banking industry is a major driver of the expansion and survival of small and medium-sized businesses (SMEs) in Uttarakhand. Banks give SMEs access to vital cash through their support systems and financial procedures, allowing them to start and grow their businesses. Banks support the growth and expansion of SMEs by providing a variety of financial products and services that are suited to their particular requirements, such as loans, credit lines, and financial advising services. Additionally, the banking industry's participation in the SME ecosystem promotes innovation, entrepreneurship, and economic resilience, all of which have a major impact on Uttarakhand's overall economic development and prosperity.

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