

**A STUDY ON CHALLENGES FACED BY SMALL SCALE
BUSINESS IN ACCESSING CREDIT FROM STATE BANKS IN
BADULLA DISTRICT**

by

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A Project Report

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ABSTRACT

The Small Scale Enterprises is an engine for economic development of any nation. They create employment for the majority of the population and also contribute to the Gross National Product (GNP). In order for them to fulfill the above roles, they require financial support. However, SMEs in the every nation have continued to complain of lack of financial support from financial lending institutions.

The main objective of this study is an attempt to establish challenges that prevent Small Business in accessing credit from state banks and how such challenges can be overcome. 120 MSEs that are affiliated to Bank of Ceylon, Peoples' Bank and Regional Development Bank in Badulla District were studied under the survey. To collect primary data for the study set of questionnaires has distributed among the Small Business Organizations. Data collected through the questionnaires are presented by pie charts, bar charts and frequency tables and univariate analysis and cross tabulation analysis are adopted to analyze variables.

Results obtained show that Small Scale Businesses faced more challenges with financial assistance due to lack of collateral and lack of proper financial statements demanded by the banks and the high business risk. Cost of credit is in moderate level.

In order to make it easier for SMEs to begin to access funds from financial institutions, government must enact laws and put in place policies that are supportive to the sector. Interest rates charged by financial lending institutions should be differentiated from that larger firms and should Endeavour to improve their capacity on the assessment of risk. On the other hand, business association should take a leading role in educating their members about the importance of keeping proper records of accounts and good business practices.

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