"A Study on Msme Financing by Jana Small Finance Bank in Karnataka"

Bhagyalakshmi. G[1], Dr. Shaheeda Banu S[2]

[1]Assistant Professor, Department of Management Studies, H. K. E. Society's Sir M Visvesvaraya College of Engineering, Raichur Yeramarus Camp Raichur, Karnataka, India

[2]Professor, Department of MBA Ballari Institute of Techonolgy in Management, Allipura Village, Hospet Road, Ballari.

DOI: https://doi.org/10.47772/IJRISS.2026.100600044

Received: 25 May 2026; Accepted: 30 May 2026; Published: 17 June 2026

ABSTRACT

This study examines the role and effectiveness of Jana Small Finance Bank (Jana SFB) in providing financial support to Micro, Small, and Medium Enterprises (MSMEs) in India. MSMEs are crucial for economic growth and job creation, but they face restricted financial availability from formal channels[1111]. The study addresses the persistent gap between the financial needs of MSMEs and the accessibility and effectiveness of services provided by Jana SFB[2]. Employing a **descriptive research design** with a sample of **50 respondents**, the study analyzed the bank's lending practices.

Key findings indicate that Jana SFB primarily serves micro-enterprises, with nearly **78%** of respondents availing loans below ₹5 lakhs[4]. A significant majority (**68%**) opted for **collateral-free loans**, highlighting the bank's critical role in removing barriers to credit access for small entrepreneurs[555]. Furthermore, the study established Jana SFB as a fast and efficient loan provider, with **82%** of loans processed within 15 days[6]. The research concludes that Jana SFB is an effective and reliable source of credit for small and emerging businesses due to its simplified documentation and rapid loan processing.

INTRODUCTION

The Micro, Small, and Medium Enterprise (MSME) Sector

A country's economic and social development is heavily reliant on entrepreneurial ventures. Often referred to as the backbone of emerging economies, MSMEs play an important part in job creation, innovation, industrial production, and exports. In nations such as India, MSMEs represent a considerable share of GDP and act as essential drivers of inclusive growth by fostering entrepreneurship in both urban and rural sectors.

The sector's primary contributions include:

- **Employment Generation:** MSMEs are the second-largest source of employment in India, after the agricultural sector.
- **Contribution to GDP:** They account for almost 30% of the nation's Gross Domestic Product (GDP).
- **Promotion of Exports:** The MSME sector contributes close to 48% of India's overall exports.
- **Balanced Regional Development:** By operating in rural and semi-urban areas, MSMEs help reduce regional imbalances and promote industrialization beyond metropolitan hubs.

Despite their significance, MSMEs encounter numerous obstacles, including restricted financial availability, poor adoption of technology, a shortage of skilled labor, and competition from imports and larger companies.

Jana Small Finance Bank (Jana SFB) Overview

Jana Small Finance Bank (JSFB) was founded in 2008 as Janalakshmi Financial Services and was transitioned into a Small Finance Bank (SFB) on March 28, 2018. Headquartered in Bengaluru, Karnataka, and regulated by the Reserve Bank of India (RBI), the bank's business model is centered on inclusive and equitable banking, with targeted efforts toward communities traditionally excluded from the formal financial system. Jana SFB offers a variety of products, including deposits, microfinance loans, agricultural loans, and business loans (secured and unsecured) specifically for MSMEs, traders, and professionals. The bank is also a keen participant in government schemes such as MUDRA, CGTMSE, PMEGP, Stand-Up India, and ECLGS.

Problem Statement

To address the persistent MSME financing gap due to stringent collateral requirements and complex procedures, the RBI introduced Small Finance Banks (SFBs), including Jana SFB, with the mandate to improve the accessibility of finance. However, there remains a need to critically examine the efficiency of Jana SFB's processes and how MSMEs perceive the bank as a financial partner. Therefore, the core problem is: "Despite efforts by Jana Small Finance Bank to promote MSME financing, there remains a gap between the financial needs of MSMEs and the accessibility, adequacy, and effectiveness of the services provided".

REVIEW OF LITERATURE

The role of financial institutions in supporting the growth of Micro, Small and Medium Enterprises (MSMEs) has been widely researched. **Kumar and Mishra (2019)** emphasized that MSMEs continue to face persistent challenges in accessing formal credit due to strict collateral requirements and limited credit histories. Their study highlighted the increasing relevance of alternative lending models adopted by Small Finance Banks (SFBs) to bridge this gap.

Chakrabarty (2021) highlighted the transformation brought by digital banking solutions, noting that simplified digital documentation and automated credit appraisal systems have significantly improved loan accessibility for small businesses. His findings reinforce the importance of technology-driven lending, particularly for rural and micro enterprises.

According to the **IFC and NABARD (2020)** report, SFBs have emerged as crucial institutions delivering credit support to under banked groups, including women entrepreneurs and rural micro-enterprises. Their study noted that flexible product offerings and doorstep services enhance financial inclusion.

Patel and Shah (2021) discussed operational challenges faced by SFBs, including higher credit risk and cost of lending, but acknowledged their effectiveness in small-ticket MSME financing. Their study suggested that improved credit monitoring mechanisms could strengthen the performance of SFBs.

A report by **CRIF High Mark (2025)** showed steady growth in MSME credit demand, reflecting increased reliance on formal financial institutions. The report also documented improvements in overall asset quality within micro-enterprise loan portfolios.

The **Economic Survey (2024–25)** revealed that MSME credit has grown at a faster rate than credit to large industries, indicating the strengthening role of institutions like SFBs in driving grassroots economic development.

While earlier studies have recognized the importance of SFBs in MSME development, **literature specific to the performance and impact of Jana Small Finance Bank in MSME financing remains limited**. This gap highlights the need for empirical analysis, forming the foundation of the present study.

RESEARCH DESIGN AND METHODOLOGY

Objectives

Primary Objective: To study and analyze the role of Jana Bank in financing MSMEs.

Secondary Objectives:

- To comprehend different financial services offered by Jana SFB to MSMEs.
- To analyze the loan disbursal process, documentation requirements, and ease of availing credit from Jana SFB for MSMEs.
- To assess the impact of Jana SFB's financing on the expansion and advancement of MSMEs.
- To identify the challenges faced by MSMEs while availing loans from Jana SFB.
- To evaluate the bank's approach toward financial inclusion and support for first-time borrowers.

RESEARCH METHODOLOGY

- **Type of Research: Descriptive Research**. The study is descriptive in nature as it aims to systematically explain and analyze the role of Jana SFB in financing MSMEs, the challenges faced, and the significance of its services, rather than test cause–effect relationships.
- **Sources of Data:**
  - **Primary Data:** Obtained through structured **questionnaires, interviews, and personal engagement** with MSME borrowers and bank representatives. This includes opinions, experiences, and feedback from MSMEs that have availed loans.
  - **Secondary Data:** Collected from Jana SFB's reports, RBI publications, MSME ministry reports, websites, journals, articles, and previous research studies.
- **Sampling Method: Convenience Sampling / Judgmental Sampling**. Respondents were selected based on accessibility and willingness to participate.
- **Sample Size:** The study included **50 respondents** in all who have used facilities of Jana Small Finance Bank.
- **Data Analysis Techniques:** Quantitative data is analyzed using **percentages, charts, graphs, and tables** for easy interpretation. Qualitative responses are summarized to assess customer sentiments and experiences.

Scope Of the Study

The study focuses on understanding the functioning, service quality, and MSME-oriented financial initiatives of Jana Small Finance Bank, specifically evaluating how its products and processes contribute to financial inclusion and business development.

Limitations Of the Study

- The study focuses on selected geographical areas.
- Respondent opinions may include personal biases.
- Secondary data may have limitations based on availability and accuracy.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

Hypothesis

- **H_1:** Jana Small Finance Bank has a significant positive role in promoting MSME financing and business growth.
- **H_0:** Jana Small Finance Bank does not have a significant impact on MSME financing or business growth

Data Analysis and Interpretation

The primary data collected from the 50 MSME borrowers using quantitative analysis techniques is presented below in tabular format.

Respondent's Business Type

The table shows respondents' views on the type of MSME business they are engaged in.

Type of Business	No. of Respondents	Percentage of Respondents
Agriculture Related MSMEs	4	8%
Manufacturing Units	8	16%
Service-Based Enterprises	5	10%
Others	25	50%
Total	**50**	**100%**

Interpretation: The analysis reveals that 50% of respondents fall under the "Others" category, suggesting that Jana SFB is serving a wide range of businesses that go beyond the conventional MSME classifications (Agriculture, Manufacturing, Services).

Type of Loan Availed (Collateral)

The table highlights the respondents' opinion on the type of loan availed.

Loan Type	No. of Respondents	Percentage of Respondents
Collateral-Free Loan	**34**	**68%**
Collateral-Required Loan	16	32%
Total	**50**	**100%**

Interpretation: Collateral-free loans dominate at 68%. This reflects Jana SFB's success in offering accessible finance to entrepreneurs who may lack tangible assets, which is crucial for micro-enterprises and first-generation entrepreneurs.

Loan Amount Availed

This finding, though not in a standard table, is a critical piece of data from the survey.

Nearly **78% of respondents availed loans below ₹5 lakhs**.

Interpretation: The bank is primarily meeting the needs of **micro-enterprises** and playing a vital role in bridging the small-ticket financing gap.

Source of Awareness about Jana SFB Loan Schemes

The table presents respondents' views on the sources through which they became aware of Jana SFB loan schemes.

Source of Awareness	No. of Respondents	Percentage of Respondents
Friends / Relatives	**24**	**48%**
Bank Staff	9	18%
Government Schemes	9	18%
Advertisements	8	16%
Total	**50**	**100%**

Interpretation: The leading source of awareness is **word-of-mouth (48%)**. This suggests that while personal influence is strong, the bank needs to strengthen its promotional activities and visibility through formal marketing channels.

Loan Process Efficiency

- **Documentation: 68%** of respondents rated the documentation as **"Simple" or "Very Simple"**.
- **Processing Time: 82%** reported that loans were processed **within 15 days**, with **44%** receiving disbursement in less than a week.

Interpretation: These findings establish Jana SFB as a fast and efficient loan provider compared to traditional banks, a critical factor for MSMEs.

Impact on Business

Loans from Jana SFB have had a clear positive impact on business performance:

- **44%** reported **increased revenue**.
- **22% expanded operations**.
- **14%** improved cash flow.

FINDINGS

1. Jana SFB strongly supports micro-enterprises through small-ticket loans.
2. The bank's collateral-free lending policy is highly valued by MSMEs.
3. Loan procedures are simpler and faster compared to conventional banks.
4. Awareness of Jana SFB's MSME products is largely informal and limited.
5. Loan disbursement significantly improves business revenue and operations.
6. Some respondents still face moderate delays and partial documentation challenges.
7. High-value loan uptake is minimal, indicating a scope for medium-enterprise support

CONCLUSION AND RECOMMENDATIONS

Conclusion

The research confirms the institution's growing contribution to promoting financial inclusion and supporting entrepreneurial development. Jana SFB has successfully positioned itself as a reliable source of credit for micro and small enterprises by offering collateral-free loans, simplified documentation procedures, quick loan processing, and competitive interest rates. The study validates the primary hypothesis, establishing that Jana SFB's financial support significantly contributes to MSME growth, sustainability, and expansion.

Recommendations

Based on the findings, the study offers the following suggestions for improving MSME lending services at Jana SFB:

1. **Strengthen Awareness and Outreach:** The bank should enhance its promotional activities and visibility through formal marketing channels, as word-of-mouth currently dominates awareness (48%).

2. **Product Diversification:** The bank needs to expand higher-value credit options to support scaling businesses, as the current uptake of larger loans is limited.

3. **Enhance Operational Efficiency:** While processing is fast, the bank should pursue further digitization and process simplification to address moderate complexity and delays still experienced by some borrowers.

4. **Provide Financial Advisory Services:** Jana SFB should strengthen its role by offering advisory services, mentoring, and capacity building programs to help MSMEs utilize loans effectively for growth, especially since some respondents reported a limited impact.

5. **Leverage Government Partnerships:** Aligning more closely with government MSME schemes, subsidies, and cluster development initiatives can maximize the bank's reach and impact.

REFERENCES

1. Chakrabarty, A. (2021). Digital lending and transformation in small finance banks. Journal of Banking Innovation, 12(3), 45–57.
2. CRIF High Mark. (2025). MSME Credit Insight Report.
3. Economic Survey of India. (2024–25). Ministry of Finance.
4. IFC & NABARD. (2020). MSME Financing and Development Report.
5. Jana Small Finance Bank Annual Reports (2023–24).
6. Kumar, V., & Mishra, M. (2019). Innovations in MSME lending. International Journal of Commerce and Management Studies, 7(2), 112–124.
7. Ministry of MSME. (2023). Annual Report. Government of India.
8. Patel, R., & Shah, N. (2021). MSME financing and challenges in SFBs. Indian Journal of Financial Systems, 9(1), 88–97.
9. Reserve Bank of India. (2019). Report on Trends and Progress of Banking in India.