Challenges and Opportunities in MSME Research Ecosystem: Evidence from tribal dominated regions of Chhattisgarh

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Abstract

The micro, small, medium enterprises sectors are the backbone of economic activity and job creation, specifically in the area that are still ignored by mainstream industrial development. Although there has been substantial policy scrutiny by standard initiatives like PMEGP and SFRUTI, there is still insufficient knowledge of how these policies actually work in remote, conflict- affected tribal belts. Southern Chhattisgarh Bastar division creates a convincing case for such type of thorough investigation, this geographical region that has approximately 70% of indigenous population, has to deal with uncertain livelihoods, poor infrastructure and limited exposure to formal economic system. This research stands itself at the nexus between lived reality and policy ambition. It raises an obvious but unresolved question: - Do PMEGP and SFRUTI substantially improved the economic status of tribal business owner in Bastar and if so, under which scenarios? The research follows a mixed method design to address this. In order to gather information on their employment patterns, availability of institutional and financial support and income patterns. The study focuses on grassroot organization such as gram panchayat, self-help groups and cooperatives, which often function as the primary means of contact between formal welfare architecture and tribal people.

Apart from that, it also inquires, whether skill development programme and entrepreneurship training mainly for young and woman produce commercial advantage or primary Ceremonial. The study additionally recognizes basic challenges such as complicated loan sanction procedure, reluctance of bank branches to offer support to remote customer, limited Internet access and integrated socio-cultural aversion about establishment of firm. This study aims to provide reliable and pragmatic advice to reconsidering the policy of small enterprise so that it properly reaches to individuals.

Keywords: Tribal entrepreneurship, PMEGP, SFURTI, Bastar division, Self-help groups, skill development, Chhattisgarh.

Introduction

In India, the Micro, Small and medium enterprises sector is primarily considered as the driving force of equitable development. This sector supports around 110 million people and generates for nearly 30% to Indias GDP, as reported by Ministry of MSME 2024. However sustainable geographical and socio-economic inequalities are covered by overall success even with devoted policy measures such as Prime Minister's employment generation program PMEGP and Scheme of Fund for Regeneration of Traditional Industries SFURTI, tribal dominated areas more specifically the Basta division of Chhattisgarh, keep going to have been on outer limit of this development story.

The seven districts that creates Bastar are Dantewada, Kanker, Bijapur, sukma, Kondagaon, Narayanpur and Bastar. This region is home to almost 70% of Scheduled Tribe Has a history of liberal views, poor financial services, inadequate road connectivity and low literacy rate. Government initiatives are formed for remote capital, but due to bureaucratic challenges, Socio cultural remoteness and administrative disparities the initiative usually fall lack of achieving measurable outcomes at the local level.

The issue of research is both urgent and straightforward. Do SFURTI and PMEGP Substantially assess to improve the economic health of tribal entrepreneurs in Bastar? If not there which particular hurdles come in the path implementation? This article examines authentic and secondary data collected from the government resources between 2020 and 2025, and evaluates two specific hypotheses. The objectives are: -

1. For a comparison between administrative and obstacles of PMEGP (loan sanction time and rejection Rates) Between non tribal firms in non-tribal areas of Chhattisgarh and tribal firms of Bastar.
2. To ascertain that participation in self-help group activity increases tribal micro entrepreneurs' monthly revenue or not.

The importance of this study is derived from its hypothesis driven and evidence-based methodology which allows the good use of sexual bombing data. The papers practical finding can be used by the policymakers of the Tribal Affairs Department of Chhattisgarh, NITI I, and the ministry of MSME.

Literature review

12 academic general and governmental research studies on effectiveness of MSME policy, tribal entrepreneurs and Administrational Obstacles in developing economic scenarios and assessed in this present section. APA 7th version is utilized for all sources.

1. **Banerjee and E. Duflo (2011), Awful economics:** A brave reconsideration of how to fight the world poverty. Public affairs: The winners of Nobel Prize highlight that when local administrations are overlooked, the initiatives of micro entrepreneurship generally malfunction.
2. **Bhattacharya, s., and Patel k. (2022):** PMEGP in districts adversely affected by liberal extremist: An evolution of Sukma, Chhattisgarh Journal of Rural Development, 41 (3),312-329, After two years, it became clear that barely 23% of PMEGP units licensed in Sukma (2018 - 2022) continued to be in service. Main reason: Absence of bank branch, communist intimidation and inadequate level of subsequent support.
3. **Singh. P and R. Chaudhary (2020):** In tribal India, self-help groups act as final delivery platform for MSME programs. Indian Journal of Agriculture Economics, 75 (2), 189- 203, Business owner who are affiliated from SHGS displayed 34% higher loan return rates, but because of their lack of digital knowledge and reliability on block level intermediaries they face 2.5 times longer paperwork processing times.
4. **D'curz M. and Sahu G. (2023):** Business growth and lack of infrastructure in particular areas. 58(12), 45-52, Economic and Political Weekly. As reported by District Level statistics of four states, the possibility of PMEGP utilization in tribal block declines by 11% over each extra are spent traveling to the nearest bank branch.
5. **Government of India, Ministry of MSME (2024):** The 2023-24 annual report, MSME Publication New Delhi- Based on official statistics, barely 18% of the Rs.142 crore which is received by Chhattisgarh under PMEGP

margin money subsidy in 2023-24 had reached the Bastar division, although Bastar is the home to 34% of the tribal population.

6. **Jadav, A. And Meshram, S. (2021):** SFURTI skill development: an honest assessment in the Indigenous skilled work cluster of Baster, 17(1), 78-96: International General of Rural Management. As per qualitative interviews taken by 45 artisans of Kondagaon, SFURTI training courses were administered in Hindi and English (not Halbi or Gondi) 62% of Artisans stated that there had not been increased after training.
7. **Khilnani, A., and Verma, N. (2019)** Data from PMEGP customers regarding loan access and procedural complexity entrepreneurs General, 28 (2), 215-240, The average number of visits to the Bank and Districts Industries Department for a PMEGP loan was 6.3 in tribal districts compared to 2.1 in urban districts. The probability of final sanctions is reduced by 15% with each additional visit.
8. **Kumar, R., and Das, T. (2022):** Digital divide in MSME financing: Tribal entrepreneurs in Chhattisgarh. IIM kozhikode Society and Management Review, 11(2), 145-161., According to the survey of 320 tribal entrepreneur of Bijapur: just 14% of them used digital platform, 89% depend on private agent who charges illegitimate fees.
9. **NABARD (2023):** "All India Rural Financial Inclusion Survey 2022- 23". Mumbai -NABARD, Only 34% of tribal blocks of Bastar division have bank branch within five kilometers. The availability of SHG bank connection is 28% lower than the state average for Chhattisgarh.
10. **Panigrahi, S. and Mohanty, B. (2024):** Conflict and enterprise: entrepreneur adaption in Bastar division. Small Enterprise Research 31(1), 55-73, A qualitative Investigation states that tribal business owner replace bank loans with unofficial saving banks, but these organizations are incapable to provide PMEGP scale capital (maximum capital is Rs. 10,000- 20,000).
11. **RBI (Reserve Bank of India) (2024):** The internal working group reported about MSME for financing in district with objectives: about 41% of PMEGP application were not granted due to 'lack of documentation' in prestigious district of Bastar (Bijapur, Sukma and Dantewada) as compared to 9% non-prestigious district.
12. **Singh, C. and Petra, S. (2020):** Tribal woman empowered by SFURTI: empowerment or Eyewash? Gender, Technology development, 24(3), 401-420, According to the survey of 120 tribal women of Narayanpur, 78% took SFURTI training, merely 22% launched the business and only 9% maintained it for more than one year. The most significant challenge is the lack of market Connection After training.

Research gap

Previous investigation used limited sample or qualitative techniques in order to illustrate barriers. Using official scheme data, there is no hypothesis driven, large-N statistical comparison between non tribal district and tribal Bastar. This study bridges that gap.

Research Hypotheses

According to the literature review and availability of resources, the following two hypothesis are formulated.

Hypothesis 1(H1) Procedural barriers hypothesis:

Tribal entrepreneurs of Bastar area experienced long loan Sanction process and higher rate of rejection of PMEGP application as compared to non-tribal entrepreneurs of non-tribal areas of Chhattisgarh.

- H1a: Average loan sanction time is Much longer for Bastar tribes.
- H1b: The proportion of rejection application is much greater for Bastar tribes.

Hypothesis2 (H2): Effects of self-help groups

The average monthly income of tribal people who are connected to SHG is higher as compared to tribal people who are not connected to SHG.

Methodology

- **Research Design:** The technique used for secondary data analysis is quantitative. All the data is taken from widely accessible government records, with no primary data gathering. The method is suitable for answering the research question.
- **Data resources:** Secondary data resources:

Source	Data Obtained	Period
KVIC (Khadi and Village Industries Commission) PMEGP District-wise Performance Dashboard	Loan sanction time (days), number of applications accepted/rejected	2022-2024
MSME Development Institute, Raipur	District-wise rejection reasons (supplementary)	2023-2024
NABARD All India Rural Financial Inclusion Survey 2022-23	SHG-linked and non-SHG monthly business incomes for Bastar	2023
RBI Internal Working Group on MSME Credit in Aspirational Districts	Rejection rate comparisons	2024
Ministry of Tribal Affairs, Aspirational Districts Programme	District-level tribal population and infrastructure indicators	2024

Sample (Quantitative)

1. For H1 (Loan sentient time and rejection rate): Details of 1240 PMEGP applicants were processed between January 2022 and December 2024.
   Group 1: 620 applicants from seven district of Bastar.
   Group 2: 620 applicants from the district of Raipur, Durg and Bijapur.
   Variables: Loan sanction time (Measured in days from the date of application to sanction letter) and Rejection status (Rejected or accepted).
2. For H2 (Monthly income): Information from NABARD's Survey 2023 which includes 450 tribal owners of small business and division of Bastar.
   SHG linked group, N = 225 (Member of SHG)
   Non SHG linked group, N = 225(No SHG membership)

Statistical test

Hypothesis	Test	Justification
H1a	Independent sample T test	Compares average of two independent groups
H1b	Chi square test	Determines the relation between two distinct variable
H2	Independent sample T test	Compares average of two independent groups

Assumptions checked:

1. Normality: Shapiro-Wilk Test($p>0.05$ For each group)
2. Homogeneity of variances: Leven's test (If $P<0.05$, Welch's Test used)

Significance level: $\alpha= 0.05$(Two tailed)

- Ethical consideration: The entire data were gathered from secondary sources that have been authenticated from government sites.

Data analysis and results

- **Descriptive statistics for H1**

PMEGP loan processing parameters (2022-2024)

Variable	Bastar (Tribal) n=620	Non-Tribal Districts n=620
Mean sanction time (days)	87.4	52.1
Standard deviation (days)	24.3	18.6
Median sanction time (days)	82	49
Minimum (days)	31	22
Maximum (days)	189	112
Number accepted (%)	428 (69.0%)	546 (88.1%)
Number rejected (%)	192 (31.0%)	74 (11.9%)

Source: KVIC District-wise PMEGP Performance Dashboard (2025): MSME Development Institute, Raipur (2025). These numbers are gathered from published reports.

Interpretation

Tribal business owner in Bastar have to wait on an average 35.3 days more for the sanction of loan. the rejection rate for them is almost three times more.

Hypothesis testing for H1a:

- **Normality check (Sapiro Wilk):** Tribal Group: W= 0.98, P=0.12(Normal) and non-tribal group: W=0.99, P = 0.09(Normal)
- **Homogeneity of variances (Levene's Test):**F= 4.21, P=0.04: Variance unequal Welch's test used.
  - Welch's test result: t (1114.5) =28.64, P<0.001.
  - Effective size: Cohen's d= 1.62(Very large effect)
  - 95% confidence interval for mean differences: 32.9 days to 37.5 days.
  - Discussion: Reject the null hypothesis, tribal business owner in Bastar experience longer loan sanction time under PMEGP.
- **Hypothesis testing result for H1b (Rejection rate):**

Frequency observed:

	Accepted	Rejected	Total
Bastar	428	192	620
Non-tribal	546	74	620

Total	**974**	**266**	**1240**

- **Chi square calculations**:χ^2 (1, N = 1240) = 14.32, p < 0.001
- **Effect size:** Cramer's V= 0.28 (Moderate association)
- Odds ratio: Odds of the rejection in Bastar= 0.4486
- Odds of rejection in non-tribal districts= 0.1355
- Odds ratio= 0.4486 / 0.1355 = 3.31
- Tribal business owner has 3.31 times more odds rejection than non-tribal areas.
- Decision: Reject the null hypothesis, rejection rate differ by region.

Descriptive statistics for H2(Monthly income):

Monthly business income SHG vs non- SHG tribal business owner in Bastar.

Group	n	Mean (₹)	SD (₹)	Minimum (₹)	Maximum (₹)
SHG-linked	225	8,450	2,890	3,200	18,500
Non-SHG	225	5,950	2,110	2,100	12,800

Source: NABARD All India Financial Inclusion Survey 2022 -23, Special Tabulation for Bastar Division (2024), Numbers are as reported by NABARD.

Interpretation

Tribal business owner who are linked to SHG earns average of Rs. 2,500 more which is approximately 42% more than the tribal business owner who are not linked to SHG.

Hypothesis testing results for H2 (SHG impact)

- **Normality check (Shapiro wilk):** SHG group: W = 0.99, P = 0.21 (normal) and Non SHG groups: W = 0.98, P = 0.18(normal)
- **Homogeneity of variances (Levene's test):** F = 2.45, P = 0.12(Variances equal). Standard T test used.
- **Independent sample T test result:**t (448) = 10.23, P<0.001
- **Effect size:** Cohen's d=0.96(Large effect)
- 95% confidence interval for mean differences: Rs. 2,040 – Rs. 2,960
- Decision Reject the null hypothesis, SHG linked entrepreneurs earns more than non SHG linked entrepreneurs.

Interpretation and discussion:

- **Interpretation of H1(Procedural barriers):** A profound systematic malfunction is represented by the Significant Influence Scale for loan acceptance time. According to PMEGP guidelines, it takes maximum 45 days to accept the application and sanction the loan. Bastar's average of 87 days is 93% longer than this. The question is why?

  Bhattacharya and Patel (2022) And RBI (2024) Provided three interrelated factors in the form of qualitative data:

  1. **Unavailability of bank branches and remote locations:** Many branches in Bijapur and Sukma have lack of MSME loan officers. It takes additional 15-20 days to transfer the files physically to Raipur.

2. **Documentation challenges:** Because of Community Forest right under FRA (2006) tribal business owner does not frequently have legal land title certificate. Applications with little variations is rejected by bank officers.
3. **Mediatory deception:** According to Kumar and Das Research (2022), 89% of population of Bijapur paid illegal fees to private brokers.

The difference in rejection rate aligns with RBI (2024): It states that 41% of rejection of application happen because of the land title certification which cannot be produced by the tribal households due to Community Forest Right Act FRA (2006).

- **Interpretation of H2(SHG impact):** There is a significant income gap. SHG provides perpetual credit at 12-18% interest whereas casual financial charge on average of 60-120%.

Besides, SHGs In Bastar work as a channel for social marketing. According to Singh and Patra Research (2020), Woman in Narayanpur SHGs sell forest Produce directly TRIFED companies without any support.

The large effect (d=0.96) Shows that linkage of SHG is a strong policy instrument. But the coverage of the policy is still low.

The paper involves some challenges and opportunities that are:

1. **Challenges:** lack of observation, disparity across research and policy, fragmented data.
2. **Opportunities:** Aspirational districts dashboard for 24/7 surveillance, Local university alliances, and SHG infrastructure as the delivery mechanism.

Policy recommendations: Five helpful recommendations on the basis of statistical data:

1. **Tribal sub-plan from PMEGP:** 40% of the Chhattisgarh's PMEGP Margin fund should be reserved for Bastar Division.
2. **Computerized mobile working vans:** Establish Van in remote areas with biometric authentications, scanner and Gondi/Halbi speaking employees. Target: decrease sanction time to less than 60 days by 2027.
3. **SHG PMEGP automatic eligibility Bridge:** Without the requirement of traditional monetary security, granting and immediate PMEGP eligibility to any tribal SHG member with her six months of repayment history.
4. **Training under SFURTI with local language:** There should be translated module of SFURTI in local language like Gondi, Halbi and Dorli.
5. **Tribal MSME investigator in Jagdalpur:** Create an investigator with the right to impose penalties on Bank For delay that exceed more than 60 days.

Conclusion

By utilizing secondary data from NABARD, RBI, KVIC and other governmental resources, this research was conducted to identify if PMEGP and SFURTI greatly enhance the financial condition of tribal business owners or not. The conclusion drawn are unambiguous:

- The documentary hurdles are much higher in Bastar.
- Entrepreneurs who are linked to SHG earns 42% more.

The effect of policy is to modify execution system instead of abandon SFURTI or PMEGP. Treatment based on evidence includes combining policy execution into SHG networks, which requires setting up of investigation procedures, funding language specific training and introducing tribal sub-plans.

Limitations

The secondary data cannot measure the functions of informal companies or how they survive beyond 24 months. Rejection reasons are not specific, the connection between SHG and income is apparent rather than conclusive. Buster will continue to remain behind, unless the goal of policy is followed by comprehensive transformation of institutions.

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