

## FUNDING FOR MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

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### Abstract

*Micro, Small and Medium Enterprises (MSMEs) represent a significant part of the Indian economy and are one of the strongest drivers of economic development, innovation and employment. Access to finance is frequently identified as a critical barrier to growth for MSMEs. Creating opportunities for MSMEs in emerging markets is a key way to advance economic development and reduce poverty. With a sustained growth rate of over 10 percent in the past few years, the MSME sector has come to represent the ability of the Indian entrepreneur to innovate and create solutions despite the challenges. As the nation's largest employer, generating more than 111 million jobs through 63.38 million enterprises<sup>1</sup> and contributing over 28% of the nation's GDP and more than 40% of the country's overall exports, the relevance and role of the MSME sector as the central driving force behind India's assertive vision to be a dominant global economic power cannot be overemphasized. This paper focuses on the financial support provided for MSMEs. The Microfinance Sector occupies a position of importance in the Indian Economy. It further examines the details of Bank Loan disbursement to and outstanding against MFIs.*

**Keywords:** Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE), Growth, Gross Domestic Product (GDP), India, (MSME) Micro, Small and Medium Enterprises

### INTRODUCTION

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

Micro, small, and medium-sized enterprises (MSMEs) have gained increased attention in India in recent times, considering their strategic importance to the economy and the country. MSMEs play an important role in generating employment 48.8 million MSMEs in the country provide employment to 111.4 million people. The new classification has come into effect from 1st July, 2020. The earlier criterion of classification of MSMEs under MSME Act, 2006 was based on investment in plant and machinery / equipment. It was different for manufacturing and services units. It was also very low in terms of financial limits. Since then, the economy has undergone significant changes. A revision in MSME criteria of classification was announced in the Aatmnirbhar Bharat

package on 13th May, 2020. This has been done in order to be realistic with time and to establish an objective system of classification and to provide ease of doing business. As a result, a new composite criterion of classification for manufacturing and service units has been notified on 26.06.2020, with guidelines regarding composite criteria to facilitate the present and prospective entrepreneurs. Now, there will be no difference between manufacturing and service sectors. Also, a new criterion of turnover has been added in the previous criteria of classification based only on investment in plant and machinery. The new criteria are expected to bring about many benefits that will aid MSMEs to grow in size. It has also been decided that the turnover with respect to exports will not be counted in the limits of turnover for any category of MSME units whether micro, small or medium. This is yet another step towards ease of doing business. This will help in attracting investments and creating more jobs in the MSME sector. The change in criteria of classifying the MSMEs is set to offer major relief to the exporters. With this change in criteria of classification of MSMEs the Government has also done away with the difference between manufacturing and services.

### GROWTH AND PERFORMANCE OF THE MSME SECTOR

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), M/o Statistics & Programme Implementation, the contribution of MSME sector in Country's Gross Value Added (GVA) and Gross Domestic Product (GDP) at current prices from 2014-15 to 2018-19 is as below:

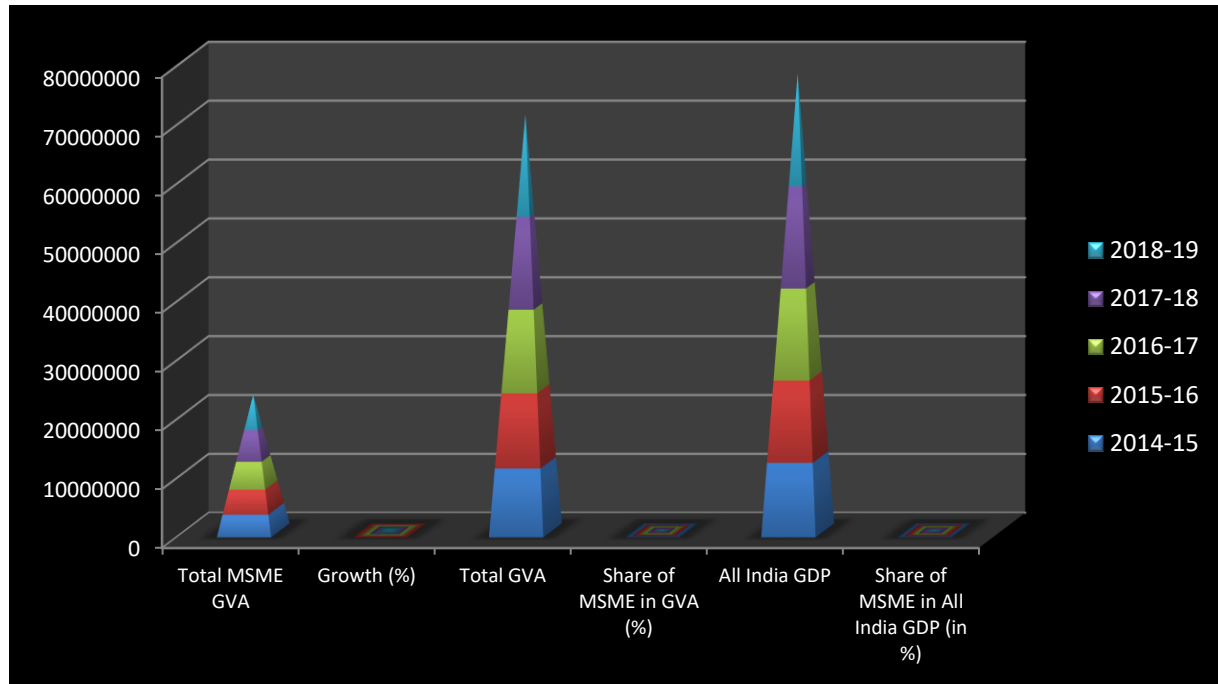
**Table 1: Share of Gross Value Added (GVA) of MSME in all India GDP**

Figures in Rs. Crores adjusted for FISIM at current prices						
Year	Total MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	All India GDP	Share of MSME in All India GDP (in %)
2014-15	3658196	-	11504279	31.80	12467959	29.34
2015-16	4059660	10.97	12574499	32.28	13771874	29.48
2016-17	4502129	10.90	13965200	32.24	15391669	29.25
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.50	18971237	30.27

**Source:** Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation

The Micro Small and Medium Enterprises (MSMEs) sector is a major contributor to the socio-economic development of the country. In India, the sector has gained significant importance due to its contribution to Gross Domestic Product (GDP) of the country and exports. The sector has also contributed immensely with respect to entrepreneurship development especially in semi-urban and rural areas of India. India has approximately 6.3 crore MSMEs. As per data from the MSME Ministry, as of November 26, 2021, the Udyam Registration portal registered 5,767,734 MSMEs, replacing the former process of filing for an Udyog Aadhaar Memorandum (UAM). Registered micro-enterprises stood at 5,441,220 (94.34%), followed by small enterprises at 293,555 (5.09%) and mid-sized enterprises at 32,959 (0.57%). As of November 26, 2021, under the top five state-wise Udyam registrations, Maharashtra recorded maximum number of registrations with 12.18 lakh units, followed by Tamil Nadu (6.23), Gujarat (4.86), Rajasthan (4.68) and Uttar Pradesh

Graph 1



(4.45). New online system of MSME/Udyam Registration launched by the Union MSME Ministry, w.e.f. July 01, 2020, successfully registered >5.7 million MSMEs until November 2021. The Indian MSMEs sector contributes about 29% towards the GDP through its national and international trade.

### CONTRIBUTION OF MSMEs TO GDP

As per the information received from Central Statistics Office, Ministry of Statistics & PI, Share of MSME Gross Value Added (GVA) in All India Gross Domestic Product at current prices (2011-12) for the year 2018-19 and 2019-20 were 30.5% and 30.0% respectively. The MSME sector is an important sector of the Indian economy. As per the information received from Central Statistics Office, Ministry of Statistics & PI, share of MSME Gross Value Added (GVA) in All India Gross Domestic Product at current prices (2011-12) for the year 2018-19 and 2019-20 were 30.5% and 30.0% respectively. The share of the MSME manufacturing in All India manufacturing gross value output during the year 2018-19 and 2019-20 were 36.9% and 36.9% respectively. Further, as per the information received from Directorate General of Commercial Intelligence and Statistics, the share of export of specified MSME related products to All India exports during 2019-20 and 2020-21 was 49.8% and 49.5% respectively. As per 73rd Round of NSS Report on Unincorporated Non-Agricultural Enterprises' (July 2015- June 2016) conducted by Ministry of Statistics & PI, estimated number of workers in MSME sector was 11.10 crore. Under the Prime Minister's Employment Generation Programme (PMEGP), the estimated employment generated (number of persons) in micro enterprises during the year 2020-21 and 2021-22 (as on 01.07.2021) are 5.95 lakh and 1.19 lakh respectively.

### DIRECT BENEFIT TRANSFER IN THE M/O MSME

All welfare and subsidy schemes of Governments of India have been brought under Direct Benefit Transfer (DBT) with the aim of improving delivery system by re-engineering the existing process for welfare and subsidy schemes, for simpler and faster flow of funds and to ensure accurate

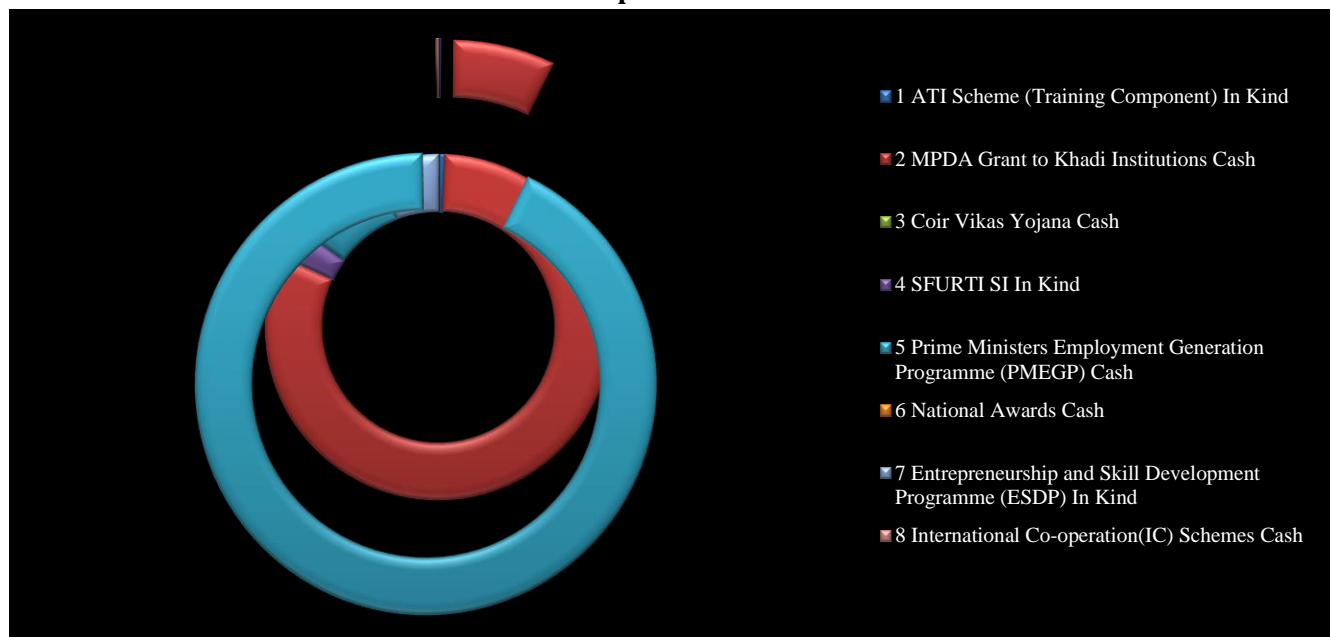
targeting of the beneficiaries, de-duplication and reduction of fraud. A nodal point for the implementation of the DBT programmes, DBT Cell has been constituted in the Ministry. The schemes have been categorized based on the benefit type to the beneficiary's i.e., Cash, Kind or Composite (i.e. Cash and Kind). Below is the table showing the main DBT schemes of the Ministry with the benefit type, number of beneficiaries and total funds transferred / expenditure incurred.

**Table 2**

Sl. No.	Name of the Scheme	Benefit Type	Total no. of beneficiaries (2020-21) (upto 31.12.20)	Total Expenditure (Rs. crores) (2020-21) (upto 31.12.20)
1	ATI Scheme (Training Component)	In Kind	1279	0.86
2	MPDA Grant to Khadi Institutions	Cash	200827	54.52
3	Coir Vikas Yojana	Cash	89	0.035
4	SFURTI SI	In Kind	7523	0.00
5	Prime Ministers Employment Generation Programme (PMEGP)	Cash	22977	707.16
6	National Awards	Cash	45	0.45
7	Entrepreneurship and Skill Development Programme (ESDP)	In Kind	14357	0.00
8	International Co-operation(IC) Schemes	Cash	68	1.25

**Source:** Source: Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation

**Graph 2**



Operational Guidelines of the following Schemes were under examination and recently redesigned and as such the Schemes are in inactive mode till their finalization:

1. Technology and Quality Up gradation Support through MSMEs – TEQUP
2. Credit Linked Capital Subsidy Scheme CLCSS
3. IPR Building Awareness on Intellectual Property Rights For MSMEs
4. Lean Manufacturing Competitiveness Scheme for MSMEs

5. Design Clinic Scheme for Design Expertise to Micro, Small and Medium Enterprises
6. Incubation Centre Support for Entrepreneurial and Managerial Development of SMEs through Incubators
7. Zero Effect Zero Defect (ZED)

### DIGITAL PAYMENTS

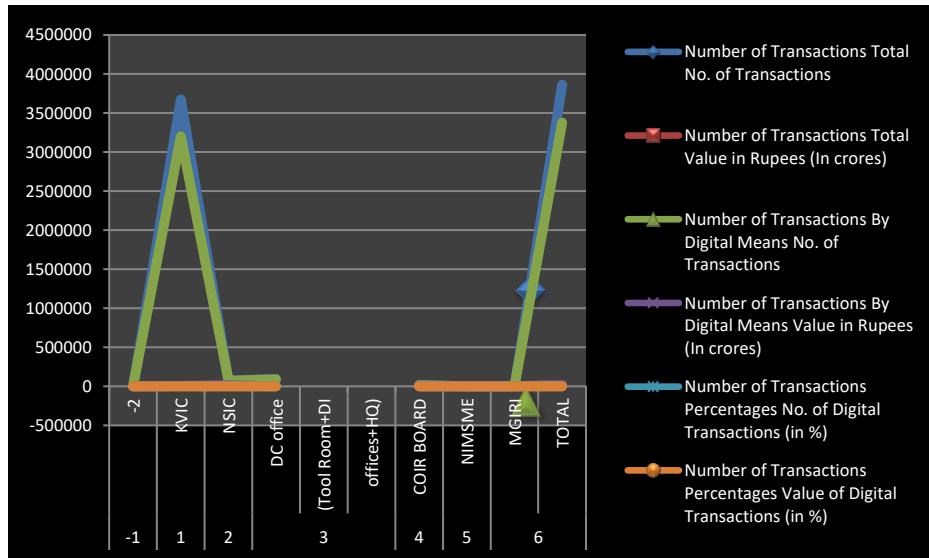
Government of India is making efforts for promoting cash less economy and to provide the facility of seamless digital payment to all citizens of India in a convenient manner. Promotion of digital payments has been accorded highest priority by the Government of India to bring each and every segment of our country under the formal fold of digital payment services. The Vision is to provide facility of seamless digital payment to all citizens of India in a convenient, easy, affordable, quick and secured manner. As a partner in the initiative, Ministry of MSME has taken numerous initiatives to digitally enable the entire MSME ecosystem. In line with the recommendations of Committee of Secretaries (CoS) and the guidelines of MeitY, a committee on Digital Payments has been constituted in the Ministry under the Chairmanship of Secretary (MSME) for making the Ministry and its attached offices achieve the successful implementation of 'Digidhan Mission'. All the offices of Ministry of Micro, Small and Medium Enterprises, including its attached offices have been digitally enabled. For the MSMEs registered under UAM, efforts have been made to spread awareness on the ease and benefits of different modes of payments such as BHIM, UPI and Bharat QR code. For the Ministry and its attached offices (KVIC, Coir Board, NSIC, MGIRI, NIMSME and O/o DC (MSME)) Digital transaction has grown to 92.02% in terms of value and 90.19 % in number of digital transactions during the year 2020-21. In Digital India Award given by Ministry of Electronics & Information Technology, Ministry of MSME got Open Data Champion Award (2020) for enabling Digital platforms for all sectors of MSMEs.

**Table 3: Digital Transaction for the Ministry of MSME and its attached Offices (2020-21) (Upto December, 2020)**

Sl. No.	Name of the organisation	Number of Transactions					
		Total		By Digital Means		Percentages	
		No. of Transactions	Value in Rupees (In crores)	No. of Transactions	Value in Rupees (In crores)	No. of Digital Transactions (in %)	Value of Digital Transactions (in %)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	KVIC	3673719	4102.92	3202965	4059.54	87.19	98.94
2	NSIC	74534	12918.52	69938	12705.74	93.83	98.35
3	DC office (Tool Room+DI offices+HQ)	94856	954.74	88450	891.61	93.24	93.39
4	COIR BOARD	15,823	288.13	12,884	272.50	81.42	94.57
5	NIMSME	1833	9.52	1658	6.56	90.45	68.91
6	MGIRI	764	10.85	726	10.63	95.02	97.97
	TOTAL	3861529	18284.67	3376621	17946.58	90.19	92.02

**Source:** Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation

Graph 3



India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payment banks to be created recently, thereby adding to the type of entities operating in the sector. However, financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system. The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

### RECENT DEVELOPMENTS

- In November 2021, the Small Industries Development Bank of India (SIDBI) inked a pact with Google to pilot social impact lending with financial assistance up to Rs. 1 crore (US\$ 133,939.60) at subsidised interest rates to micro enterprises. To reinvigorate the Indian MSME sector, Google India Pvt. Ltd. GIPL, will bring a corpus of US\$ 15 million (~Rs. 110 crore) for micro enterprises as a crisis response related to COVID-19.
- In November 2021, digital freight forwarder Freightwalla, launched a shipment tracking service for MSME exporters and importers based on predictive analytics to help businesses tackle risks associated with shipment delays and improve supply chain efficiency.
- In November 2021, Cashinvoice, a supply chain financing (SCF) platform, announced that it will aid MSMEs with over Rs. 10,000 crore (US\$ 1.33 billion) worth of financing in the year ahead, as it has raised Pre-Series a funding of US\$ 1 million from Accion Venture Lab.
- In October 2021, Sundaram Finance and the MSME Development Institute (Chennai) provided marketing assistance to MSMEs. Entrepreneurial and managerial development of MSMEs will

be done through an incubator scheme that will give innovators opportunities to develop and nurture ideas for the production of new products.

- In September 2021, Aerospace Engineers Private Limited, a Tamil Nadu-based MSME, secured a contract from Boeing to produce and supply critical aviation components.
- In September 2021, Walmart and Flipkart announced the completion of the first phase of training of >2,500 MSMEs under Vriddhi, the supplier development programme.
- In September 2021, Flipkart introduced 'Flipkart Boost' to help digital-first consumer brands and empower MSMEs.
- In September 2021, HDFC Bank collaborated with the National Small Industries Corporation (NSIC) to offer credit support to the micro, small and medium enterprise (MSME) sector.
- In August 2021, the US Agency for International Development (USAID) and the US International Development Finance Corporation (DFC) collaborated with Kotak Mahindra Bank to support MSMEs.
- In August 2021, Facebook India, in collaboration with Indifi, announced 'Small Business Loans Initiative', a new programme to support small and medium businesses (SMBs) get quick access to credit via independent lending partners.
- In August 2021, Indian Bank introduced 'MSME Prerana', an online business-mentoring programme for MSMEs in Odisha. In FY21, the state (Odisha) accounted for ~5% of the total MSME credit exposure of Indian Bank and recorded an increase of 39% YoY.
- In July 2021, Amazon India announced to expand its existing nine fulfilment centres and launch additional 11 new centres. This expansion plan is expected to create direct and indirect job opportunities in India and further strengthen Amazon's foothold in the country.
- In July 2021, Razorpay acquired TERA Finlabs, a provider of embedded financing solutions, to strengthen capabilities in data-driven risk management, capital solutions and credit underwriting to financially support MSMEs.
- In July 2021, Amazon India introduced Digital Kendra in Surat—its first brick and mortar resource centre to assist 'kiranans' and small businesses to go digital.
- In July 2021, the Federation of Indian Export Organisations (FIEO) signed a memorandum of understanding (MoU) with Aramex India, logistics services provider, to support MSME exporters in India.
- In June 2021, Tide, a UK-based business financial platform, announced to invest >Rs. 1,000 crore (US\$ 134.21 million) in India over the next five years to tap the rising SME (small and medium-sized enterprises) market.

### **INSTITUTIONS SUPPORTING FOR BUSINESS ENTERPRISES**

The development of business venture improvement is fundamentally founded on the thought that business can be sought after by individuals as a vocation. For equipping - the movement of business venture improvement and independent work, the public authority of India has planned a few approved offices. The essential assignment of these offices is to satisfy the requirements of the business and that of the business visionary. These offices can be partitioned into state level and focal level establishments. For the most part, the term 'institutional emotionally supportive network' signifies the monetary climate of business and industry. It comprises different establishments and specialists; whose operational plan and choices affect the business. Such foundations incorporate administrative establishments, legitimate foundations, semi-government associations, and private bodies. In India, these organizations are supported by the public authority

and are approved for guidelines and advancement of SMEs specifically territories.

**Mainly, the institutional support system is needed at the following phases of enterprise development:**

- 1) Formation or promotion of a production or business unit,
- 2) Routine or daily management, and
- 3) Diversification and expansion.

Other than offering monetary help, these establishments likewise help in a few alternate manners like the accessibility of assets, promoting and showcasing of products, preparing the workers, framework advancement, and so forth In India, a gathering of organizations like NBMSME, NSIC, NRDCI, NABARD, HUDCO, NIESBUD, DIC, IDBI, SFC, SIDBI, SIDC, SISI, and so forth, which are principally keen on satisfying the long haul and transient monetary requirements for business advancement is likewise accessible. To encourage the development of a little scope area, the focal and state governments have made an expound institutional structure in the nation.

The Institutional emotionally supportive network is important to give all assistance required by the little scope ventures, as little businesses need data about the current emotionally supportive networks created by the Central Government just as the State Governments. They likewise come up short on the specialized and administrative aptitudes, solid monetary foundation, information about Government supported infrastructural offices, sponsorships, and duty motivating forces. These establishments incorporate Government possessed offices, legal enterprises, semiautonomous and self-governing associations. In our nation, these specialists and offices are Government supported associations and endowed with adequate forces to direct and advance SSIs in explicit zones of exercises. Essentially, the institutional emotionally supportive network is fundamental at three phases of the venture improvement. They are:

- a) Inception or promotion of a business or industrial unit.
- b) Day to day management or routine management and
- c) Expansion and diversification

The Ministry of Small Scale Industries is the nodal Ministry for detailing strategy, advancement, improvement, insurance, and coordination of focal help for the advancement and improvement of little scope businesses in India. This Ministry plans and actualizes the arrangements through its field associations for the advancement and development of little scope ventures. The Ministry likewise plays out the elements of strategy support in the interest of little scope enterprises (SSI) area with different Ministries/Departments. The Ministry was bifurcated into two separate services, viz.

- a) Ministry of Small Scale Industries (SSI) and
- b) Ministry of Agro and Rural Industries. (ARI)

The Ministry of Small Scale Industries plans strategies, projects, and plans for the advancement and development of SSIs. The Small Industries Development Organization (SIDO), otherwise called the Office of the Development Commissioner (SSI) which is appended to this service is liable for executing and observing different strategies and projects figured. The Ministry of Agro and Rural Industries is the prime organization for coordination and advancement of Village and Khadi businesses, little and miniature endeavours in both metropolitan and provincial regions. The different approaches, projects, and plans identified with agro and rustic enterprises are executed



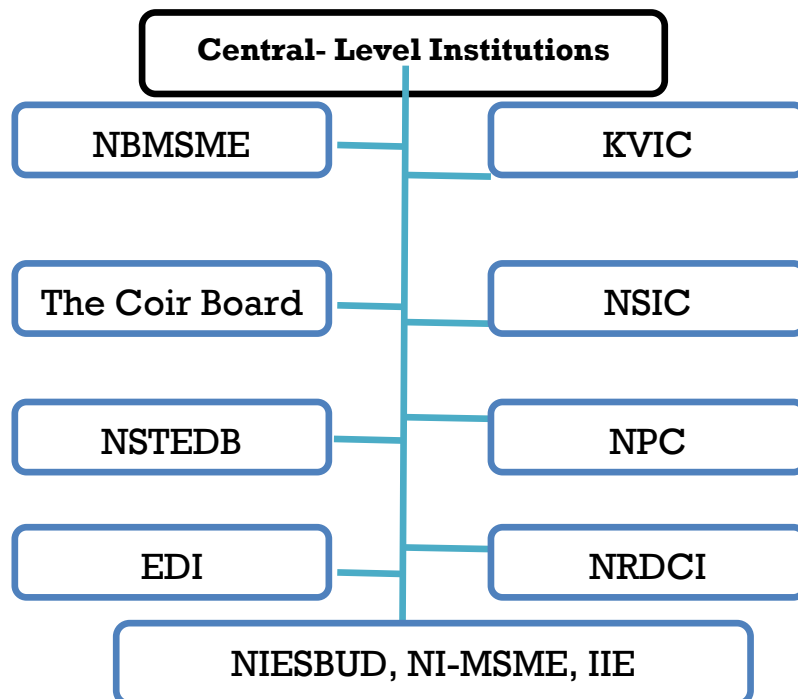
by the service with the assistance of its different bodies. The ARI Division takes care of the organization of two legal bodies called the Khadi and Village Industries Commission (KVIC), Coir Board, and a recently made association called Mahatma Gandhi Institute of Rural Industrialisation (MGIRI).

They additionally oversee the usage of the Prime Minister's Employment Generation Program (PMEGP). The Ministry of Small Scale Industries (SSI) and the Ministry of Agro and Rural Industries (ARI) were consolidated to shape the Ministry of Micro, Small and Medium Enterprises. This Ministry is properly aided its endeavours by Office of the Development Commissioner (MSME) {O/o DC (MSME)}; the Khadi and Village Industries Commission (KVIC); the Coir Board; the Mahatma Gandhi Institute for Rural Industrialization (MGIRI); the National Small Industries Corporation (NSIC) Ltd. also, the three independent public level business venture advancement/preparing establishments, viz.;

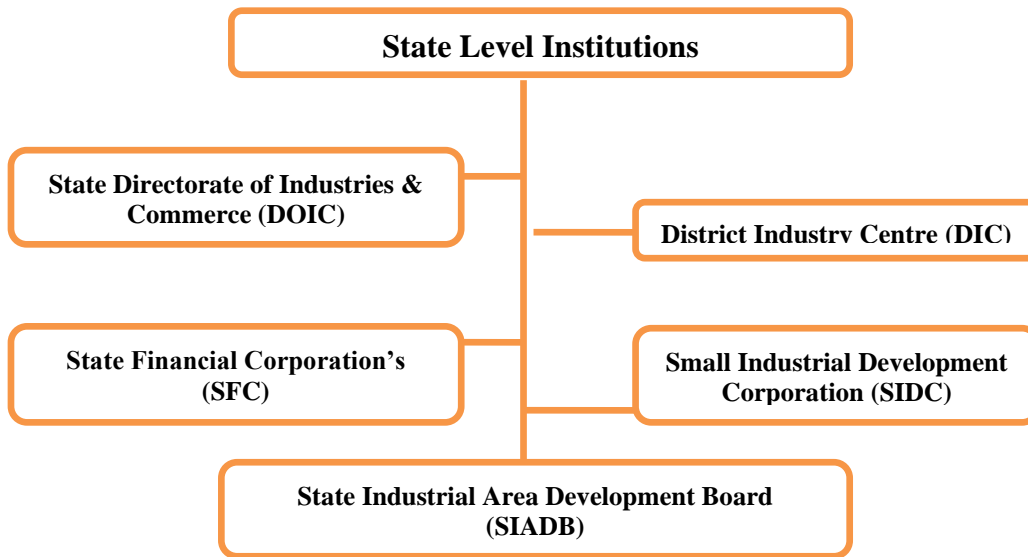
- a) National Institute for Micro, Small and Medium Enterprises (NI-MSME), Hyderabad;
- b) National Institute for Entrepreneurship and Small Business Development (NIESBUD), NOIDA and
- c) Indian Institute of Entrepreneurship (IIE), Guwahati.

The Government detailed the Micro, Small and Medium Enterprises Development Act, 2006 and set up the National Board for Micro, Small and Medium Enterprises (NBMSME) and made guidelines there under in the year 2006. This Board analyzes the variables influencing the advancement and improvement of MSMEs and audits arrangements and projects every once in a while identifying with these ventures, now and again, and makes suggestions to the Government in detailing the approaches for the development of MSMEs.

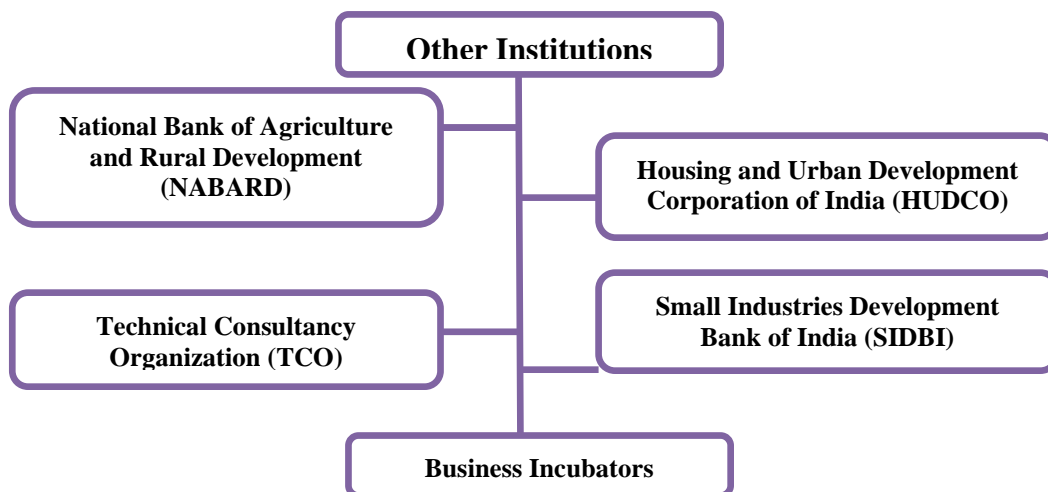
**Figure 1**  
**Central-Level Institutions**



**Figure 2**  
**State-Level Institutions**



**Figure 3**  
**Other Institutions**



### TYPES OF INDUSTRIAL FINANCE

Finance is a key input of production, distribution and development. It is, therefore, aptly described as the "life-blood" of industry and is a pre-requisite for accelerating the process of industrial development. Entrepreneurs require three types of finances, viz., short-term medium-term and long-term finances. The following chart shows types of industrial finance.

Figure 4: Types of industrial finance



### SHORT-TERM FINANCE (STF)

Short-term finance usually refers to the funds required for a period of less than one year. Short-term finance is usually required to meet variable, seasonal or temporary working capital requirements. Borrowing from banks is a very important source of short-term finance. Other important sources of short-term finance are trade credit, instalment credit and customer advances. For example, to buy raw materials or to pay wages to the labour or to meet any other day to day requirement.

### MEDIUM-TERM FINANCE (MTF)

The period of one year to five years may be regarded as a medium-term. Medium-term finance is usually required for permanent working capital, small expansions, replacements, modification, etc. Medium-term finance may be raised by:

1. Issues of shares;
2. Issue of debentures'
3. Borrowing from banks and other financial institutions; and
4. Ploughing back of profits (by existing concerns).

### LONG-TERM FINANCE (LTF)

Period exceeding 5 years is usually regarded as long-term. Long-term finance is required for procuring fixed assets, for the establishment of a new business, for substantial expansion of existing business, modernization etc.

The important sources of long-term finance are:

1. Issue of shares;
2. Issue of debentures;
3. Loans from financial institutions; and
4. Ploughing back of profits (for existing concerns).

### SCHEMES FOR FINANCING MICRO, SMALL AND MEDIUM ENTERPRISES

1. Pottery Activity under Gramodyog Vikas Yojana (GVY) scheme
2. Beekeeping Activity under "Gramodyog Vikas Yojana (GVY) Scheme
3. Agarbatti Making Project under "Gramodyog Vikas Yojana (GVY) Scheme
4. Tool Rooms and Technical Institutions - A Component of Infrastructure Development & Capacity Building scheme

### SOURCES OF CAPITAL

- **Small Business Administration Loan:** The SBA is a central government organization that gives monetary help to new and existing organizations. Workplaces exist all through the United

States to help private ventures. Business income is an essential thought for an advance. Proprietors with 20% or more possession should by and by ensure the advance. Since there are three SBA credit programs, contact a neighbourhood office or loan specialist prior to finishing an application to decide the arrangement best for your organization.

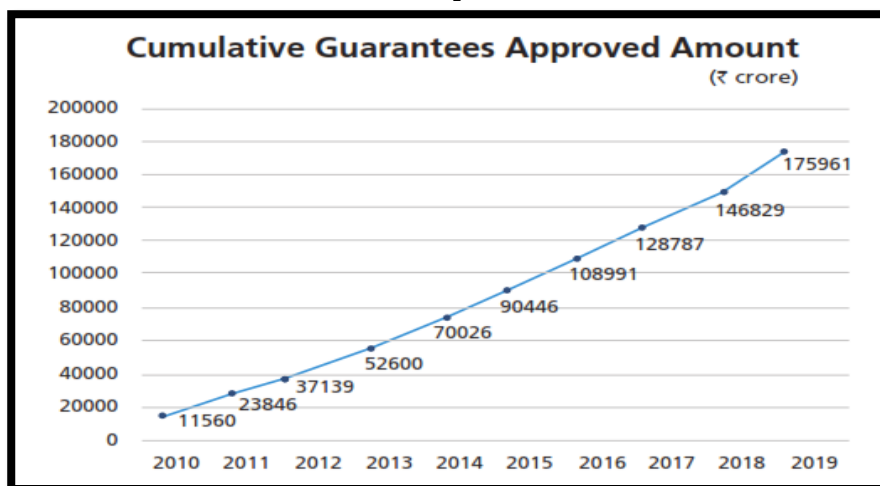
- **Private Loan:** You may require total subsidizing of your new business or an advance sum that expands your current assets. Think about an advance from family or companions. Execute an advance note that characterizes the advance sum and terms, including the loan fee. This archive turns into a business record that may influence business benefits and charges.
- **Personal Bank Loan:** You may start an individual bank credit that you actually ensure, maybe with an incline toward your home. In the event that your organization has different proprietors, they are not obligated for this obligation, paying little mind to the organization's utilization of assets that you give. Nonetheless, you should seriously think about archiving an individual credit to the organization in the sum given by you.
- **Venture Capital Investors:** For the most part, investment speculators give assets to beginning phase new businesses. These financial specialists are keen on businesses with high-development potential, for example, data innovation. Regularly, funding financial specialists give assets to an organization in return for organization shares. These financial specialists require a strategy that shows the likelihood of progress.
- **Angel Investors:** Verifiably, most India HNIs (high total assets people) generally just put resources into their own organizations or in individuals they definitely realize well, however, this is beginning to change. There are a developing number of HNIs in India who are putting resources into high expected new companies at a beginning phase dependent on the thought, foothold, and the group's capabilities. Most holy messengers put resources into business areas they know about dependent on their business experience. In India, most holy messengers are transient financial specialists needing to see an exit in 1-2 years with 2-3x money on money return. That implies they are searching for 100-150 lakhs returned, soon, on a 50 lakh venture. On the off chance that your business can begin creating adequate free incomes inside this time span, at that point this may be a decent alternative for you. On the off chance that you need to raise more funding, however, this may be an issue as institutional endeavor speculators will be hesitant for their cash-flow to be utilized to purchase out before financial specialists. Also, most holy messenger speculators won't give a lot of help as you look to raise more capital since they regularly don't put resources into follow-on rounds and they frequently don't have incredible associations with the endeavor firms.
- **Financial Controller:** A monetary regulator is a senior-level leader who goes about as the head of bookkeeping, and administers the arrangement of monetary reports, for example, monetary records and pay explanations. The executive's control (as practiced in arranging, execution assessment, and coordination) of monetary exercises pointed toward accomplishing the wanted rate of profitability. Supervisors utilize fiscal reports (a spending plan being the essential one), working proportions, and other monetary devices to practice monetary control.

### **ROLE OF CREDIT GUARANTEE FUND TRUST FOR MICRO & SMALL ENTERPRISES (CGTMSE) IN FACILITATING INSTITUTIONAL LOANS**

CGTMSE has been set up jointly by Ministry of MSME and SIDBI in August 2000 to facilitate access to finance for un-served / under-served borrower segments, making availability of financial assistance from lenders to first generation entrepreneurs and underprivileged section of society

who lack collateral security and/or third-party guarantee for supporting their ventures. During last 18 years of operations, CGTMSE has approved over 34 lakh guarantees<sup>11</sup> covering loans amounting to over Rs. 1.75 lakh crore on cumulative basis. Any collateral / third party guarantee free credit facility (both fund as well as non fund based) extended by eligible institutions, to new as well as existing Micro and Small Enterprise, including Service Enterprises, with a maximum credit cap of Rs. 200 lakh (Rupees Two Hundred lakh only) are eligible to be covered. Recently, guarantee coverage made eligible to select NBFCs and Small Finance banks. The guarantee cover available under the scheme is to the extent of 50% / 75% / 80% & 85% of the sanctioned amount of the credit facility. The extent of guarantee cover is 85% for micro enterprises for credit up to Rs. 5 lakh. The extent of guarantee cover is 50% of the sanctioned amount of the credit facility for credit from Rs. 10 lakh to Rs. 100 lakh per MSE borrower for retail trade activity. The extent of guarantee cover is 80%(i) Micro and Small Enterprises operated and/or owned by women; and (ii) all credits/loans in the North East Region (NER) for credit facilities upto Rs. 50 lakh. In case of default, Trust settles the claim up to 75% of the amount in default of the credit facility extended by the lending institution for credit facilities upto Rs. 200 lakh. Credit Guarantee Scheme has over the years emerged as a successful tool in facilitating MSEs access to formal credit sources. The Scheme attempts to reorient the lenders perspective from collateral based lending to project liability. CGTMSE has been able to instill confidence and encourage MLIs to enhance credit flow to MSEs, backed by the comfort of guarantee cover. Considering that the Scheme is exclusively focused on the MSE sector which is the backbone of the Indian economy, the positive externalities in terms of contribution to GDP and employment generation is immense. CGTMSE has always been responsive and proactive in ensuring sustainable growth of the trust and meeting the needs of the MSME sector. The impact of enhancements to the credit guarantee products with changing needs of the sector is evident from the upswing in the credit guarantee flow shown by CGTMSE in the below graph. MSEs have been continuously getting benefitted from this scheme. However, if we analyse the guarantee fees charged under this scheme, we can see from the following table that the guarantee fees are high for prospective and even existing MSEs.

**Graph 4**



**Source:** Annual Progress Report 2018-19, CGTMSE, Mumbai

## CONCLUSION

MSE sector is known to face, Credit Guarantee has emerged a time tested tool across the globe to drive credit flow to the sector. Addressing the credit gap would to a large extent be a factor of enhanced credit guarantee support. The impact of enhancements to the credit guarantee products with changing needs of the sector is evident from the upswing in the credit guarantee flow shown by CGTMSE in FY 2019. The Trust would continue to strengthen its role in boosting credit flow to the MSE sector and thereby play a significant role in the journey of the Indian economy. The MSMEs have become power centres of modern economy. The MSMEs contribute considerably to industrial, economic, technological and regional development in all developed and developing economies. The prototype of financing this micro, small and medium enterprises is slowly changing in favour of specialized, target specific financial services, with the introduction of new financial products. The financial institutions including SFCs and SIDCs and public sector banks are preparing to provide a diversified range of services to various target groups including venture capital, Leasing, equipment finance, export finance, factoring services. Finance, which has been aptly described as the life blood of industry, is a prerequisite for the mobilization of real resources to organize production and marketing. Small Industrial development of Bank of India (SIDBI), being the principal financial institution for the MSME Sector in India

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