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Research Paper

Impact of financing on MSMEs in Indian Economy

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Abstract

MSMEs are crucial in fostering inclusive and substantial economic growth of developing Countries. Finance is a major aspect to accelerate the development of entrepreneurship and encourage existing and new entrepreneurial initiatives. Timely availability of finance sustains the survival of MSMEs. MSMEs help mitigate regional imbalances and improve the industrialization of backward areas. These sectors serve as accessory units to large Scale industries and make significant contributions to the socio-economic growth of the economy.

The aim of the present paper is to investigate the Socio-economic role of MSMEs and availability of finance for entrepreneurs. The study explores the challenges faced by MSMEs. The paper focuses on the financial support provided by Govt and SIDBI.

Keywords: *MSMEs, NABARD, GDP AND SIDBI.*



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1. INTRODUCTION

The MSMEs holds significant importance as a priority sector and is also recognised as a focal sector within the framework of the Make in India initiative. Moreover, the increased accessibility of affordable finance and other fiscal incentives has contributed to India's recognition as a highly advantageous market. Additionally, the geographical location of India confers upon it a distinctive advantage in terms of exports, owing to its seamless connectivity with other nations. India, with a population of 1.3 billion individuals,

exhibits a notable tendency among its citizens to allocate a substantial portion of their disposable income towards food consumption. Consequently, India possesses the capacity to cultivate a mutually advantageous association with global entities involved in food processing, food retail, and associated supply chain operations. These organisations have the potential to achieve substantial business expansion opportunities within India by leveraging novel technological innovations and other means of value

augmentation. The Indian banking and associated sector can be classified into two distinct segments. Non-banking financial institutions (NBFI)s differ from scheduled commercial banks in terms of their provision of funds. NBFIs primarily operate in areas that are underserved by banks, where they provide various roles. In the Indian Market, two organisations such as NABARD and the Small Farmer Agribusiness Consortium have been formed with the specific objective of providing assistance and support to agriculture and related businesses. Furthermore, it is worth noting the existence of SIDBI, an organisation that specifically targets small, micro, and medium-scale enterprises.

MSMEs are widely recognised as significant drivers of economic growth and play a crucial role in contributing to the GDP on a worldwide scale. Additionally, MSMEs are known for their ability to promote equity and decentralisation within economies. The global recognition of the MSMEs stems from its substantial contribution towards accomplishing diverse socio-economic objectives. The Government acknowledges the potential and significance of MSMEs in fostering the development and progress of the nation.

These Sectors play an important role in generating job opportunities, fostering entrepreneurial activities, and driving innovation in a hierarchical manner. The enactment of the MSMEs Development Act of 2006 took place. An independent legislation pertaining to MSMEs was implemented with the purpose of addressing many concerns that impact the sector, including its coverage and investment limits. On May 9, 2007, the merger of the Ministry of SSI and the Ministry of Agro and Rural Industries took place. The objective of the MSME's act is to accelerate the growth and advancement of these firms. The Ministry of MSMEs formulates policies, facilitates promotion, and increases competitiveness. In accordance with the provisions outlined in the MSME Development Act of 2006, MSMEs are divided into two distinct classes.

- ❖ **Manufacturing Enterprises**- The enterprises engaged in Manufacture or production of goods or employing plant.
- ❖ **Service Enterprises** - The enterprises are engaged in rendering of service.

Definition of MSME's as per 2006 Act:

Classification	Manufacturing	Services
	Investment on Plant and Machinery	
Micro	Up to 25 Lakhs	Up to 10 Lakhs
Small	From above 25 Lakhs up to 5 Crore	From above 10 Lakhs up to 2 Crore
Medium	From above 5 Crore up to 10 Crore	From above 2 Crore up to 5 Crore

Sources: (Ministry of Micro, Small and Medium Enterprises in India.)

The new classification was implemented on July 1, 2020. On June 26, 2020, updated composite criteria for classifying manufacturing and service units were announced. These criteria aim to support current and future entrepreneurs. The revised classification is as below-

- A micro enterprise is a business entity where investment in equipment and machinery does not exceed Rs 1 crore and the turnover does not exceed Rs 5 crore
- A small enterprise is an enterprise with a maximum investment in equipment and machinery of Rs 10 crore and a turnover does not exceed Rs 50 crore.

- A medium-sized enterprise is a business entity where investment in equipment and machinery does not exceed Rs 50 crore and a turnover that does not exceed Rs 250 crore.

The previous classification criterion for MSMEs under the MSME Act of 2006 was dependent on investment made in plants and machinery. The financial ceiling was quite low, and there were variations found between both divisions.

The announcement of a review of the criteria for classification for MSMEs was made on May 13, 2020. This economic stimulus programme refers to as the Aatmnirbhar bharat package.

A novel turnover criterion was introduced, revealing no discernible distinction between the both sectors. This classification is solely predicated on the base of investment in plants and machinery. The aim of implementing this new classification criteria is to increase the growth of firms, enhance the convenience of conducting business, attract investments, generate employment opportunities, and bring significant benefits to exporters. The primary responsibility for promoting and developing MSMEs lies with the state government. However, the Central Government has introduced several initiatives, supplements, and collaborative efforts with both the state government and the Ministry of MSMEs. These endeavours aim to promote the state government's endeavours in fostering entrepreneurship, generating employment opportunities, enhancing competitiveness, and driving innovation amidst changing economic.

2. REVIEW OF LITERATURE

R. Ravi, Roy Avinash, 2014 "A Study on Effects of Micro Financing on MSMEs in Karnataka" The study highlights on realizing the relevance of small businesses as the tool of growth in the Indian economy. The study analyzes the Impact of micro financing; consisting of financial and non – financial sources, provided by the Microfinance Banks on MSMEs growth, Development, survival, existence, productivity and performance in Southern India.

Chandraiah. M and Vani. R (2014) were carried out MSME's role and performance analysis in Indian economy, also evaluated the problem and government strategy towards MSME's.

E. Upendar & Dr. KA. Ramulu, 2016 "MSME's Sector in India: Challenges and Opportunities" The study carried out challenges facing by MSMEs and status of these sector falling in sickness and unable to survive due to financing problems. The paper also highlighted on opportunities for budding entrepreneurship and Government initiatives to develop these sector.

Kumar Vinay (2017) carried out MSME's scope in development of nation and employment opportunities. How MSME's can contribute in generation of employment at rural as well as urban area and discussed the obstacles facing by MSME's in India and provided the suggestion to overcome such obstacles for the MSME's.

Chetia Madhurya (2020) analyzed the influence of COVID-19 pandemic on MSME sector of India in term of loss of GDP, unemployment and disruption of supply chain, evaluated the policy perspective initiatives and strategy to find out a way out of COVID-19 and also spotlighted the major obstacle faced by the MSME's before and during the COVID-19 pandemic.

K. Rajmani, N. Akbar Jan, A.K. Subramani, A. Nirmal Raj (2022) The study focused on importance of finance access for MSMEs in India, explore challenges faced by MSMEs to get finance and Used Quota Sampling technique and Structural equation Model. The study concluded that Financial obstacles have adverse impact on performance of MSMEs.

Dr. Nalla Bala Kalyan, Mr. S. Partha Sarathi (2022) "Funding for MSMEs in India" The paper Highlighted the MSMEs contribution to industrial, economic, technological and regional development in Indian economy. The paper described the role of finance as lifeline for MS MEs. The Financial Institution including SFC and SIDCs are providing diversified range of services and SIDBI are considered main institution for the MSMEs in India.

Shallu (2023) "A Study on some key aspects of Indian MSME Sector" The paper carried out the role of MSMEs for the overall development of the country. Focused on need of well- designed and well- suited funding structure for the success of MSMEs.

A numerous study has been made on Role of MSME's, problem and challenges faced by MSME's and relief measures taken by the government, In the present study sources of finance and impact of financing for MSMEs have been discussed, Therefore this study is an attempt to fill the research gap by exploring the access to finance and identifying the challenges for MSMEs.

2. OBJECTIVE OF THE STUDY

- To determine the Socio- economic role of MSME's in Indian economy.
- To examine the Impact of financing for MSMEs.
- To identify the challenges for MSME's.

3. RESEARCH METHODOLOGY

3.1. Sampling

This study is descriptive in nature and focused the Socio- economic role of MSME's in development of Indian economy. Collections of data, classification and tabulation have been prepared in the entire study.

3.2. Data collection

This study is dependent on secondary data which is collected from secondary sources i.e. MSMEs annual report, websites, journals, articles and Internet sources. The data helped to discuss and illustrate the impact of finance, problem and challenges faced by MSMEs.

3.3. Limitation of the study

- ❖ The present study is dependent upon secondary data which inherits its own limitation.
- ❖ The present study is confined to MSME sector not included agriculture, mining, foresting, transport and communication.

4. SOCIO -ECONOMIC ROLE OF MSMEs

The MSME sector makes a substantial contribution to various fields of the economy, including manufacturing, employment, and the Gross Value Added (GVA) of the nation.

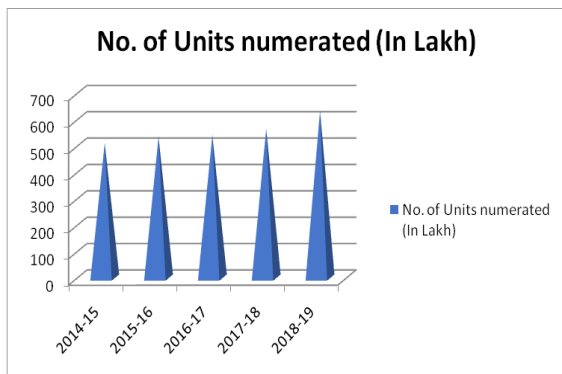
From an Indian standpoint, it may be concluded that MSMEs hold significant strategic value. This assertion is supported by the fact that around 90% of the Indian industrial sector is comprised of MSMEs. Furthermore, the contribution of this sector is important in the Indian economy as it employs 40% of the work force and contributes around 30% to the GDP and 31.8% to the Gross Value Added (GVA). The company manufactures a wide array of over 8,000 products, encompassing both conventional and high-value items, in order to fulfil the needs of both domestic and international markets. Hence, minor industries serve as ancillary enterprises that address the commercial requirements of large industries. In order to promote the advancement of the nation's social, economic, and inclusive growth. MSMEs have consistently held a significant position within the Indian economy, contributing to output, exports, and national income, respectively. MSMEs are of paramount importance in facilitating the generation of job possibilities both domestically and globally. It is noteworthy that about half of the private labour force in the United States is engaged in this particular sector. Therefore, it is noteworthy to state that MSMEs have relevant place in the employment strategy of any country.

Table-1: Number of Units, Employment and Share of GVA of MSME's in All India GDP

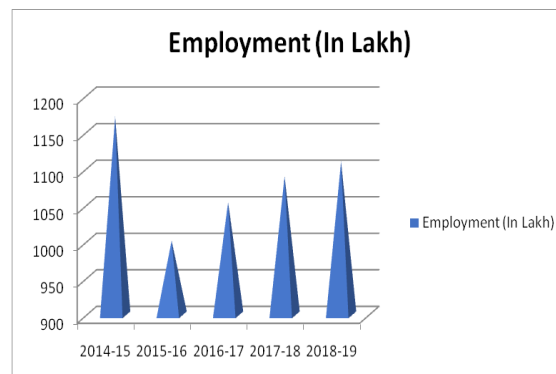
Year	No. of Units numerated (In Lakh)	Employment (In Lakh)	Share of MSME's in GVA	All India GDP (In crore)	Share of MSME's in all India GDP
2014-15	510.57	1171.32	31.80%	12467959	29.34%
2015-16	534.34	1001.54	32.28%	13771874	29.48%
2016-17	540.21	1054.23	32.24%	15391669	29.25%
2017-18	565.19	1089.76	32.79%	17098304	29.75%
2018-19	633.00	1110.00	33.50%	18971237	30.27%

Sources: (Annual Report, Ministry of MSME Government of India 2020-2021.)

Graph-A (1)

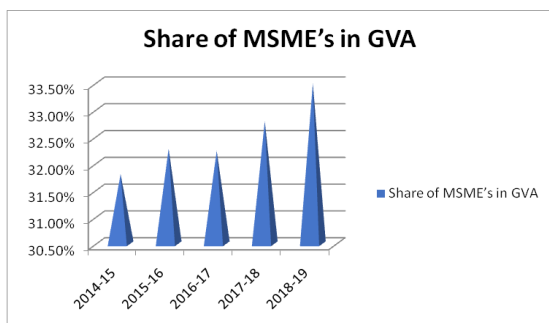


Graph-A (2)

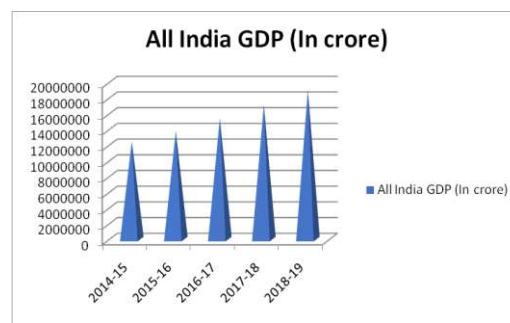


According to Table-1 and Graph, There are 633.88 lakh unincorporated non agricultural MSMEs in the Indian economy engaged indifferent economic activities.

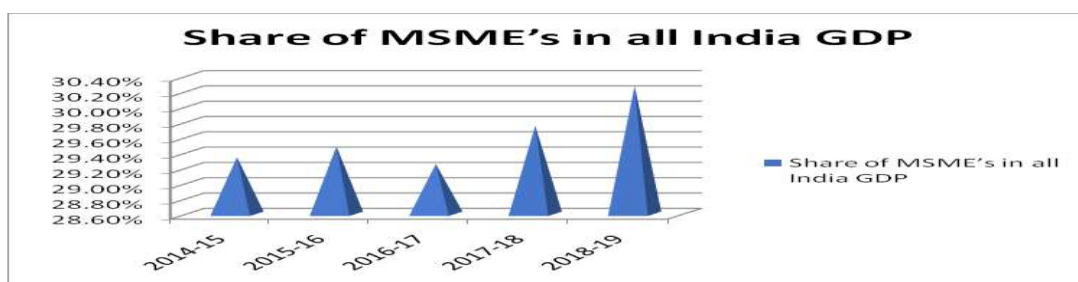
Graph-A (3)



Graph-A (4)



Graph-A (5)



Sources : (Annual Report, Ministry of MSME, Government of India,2020-21.)

The above table and graph shows, In 2014-15, MSME's units were numerated 5.1crore,1171.32 Lakh people were employed in MSME's, share of MSME's in GVA was 31.80% and share of MSME's in All India GDP was 29.34% of All India GDP 12467959 crore.

In year 2015-16 No. of units has been increased to 5.34crore, Employment were decreased to 1001.54 lakh and share of MSME's

has been raised to 29.48% of All India GDP 13771874 crore.

In year 2016-17, MSMEs were success to establish more unit's in rural and semi urban areas to 5.40 crore but employment decreased to 1054.23 lakh, it was recorded that the share of MSME's in GVA has been raised to 32.24% and contribution in India's GDP also increased to 29.25% of All India GDP 15391669 crore.

In year 2017-18 and 2018-19 the No. of units has been raised from 5.65 crore to 6.33 crore, MSME's has increased employment from 1089.76 lakh to 1110 lakh in 2018-19, share of MSME's in GVA has raised from 32.79% to 33.30%, All India GDP has increased from 12467959 crore to 18971237 crore and contribution of MSME's in all India GDP has been raised from 29.34% to 30.27% in 2018-19.

It was found from above table and graph that the No. of units and contribution of MSME's in GDP has been increasing constantly but fluctuations have been found in employment generation.

The industry encompasses a total of 6.34 crore units, with around 51% of MSMEs located in rural areas. The ratio of labour to capital in the MSMEs sector is significantly greater compared to other industries. This sector contributes

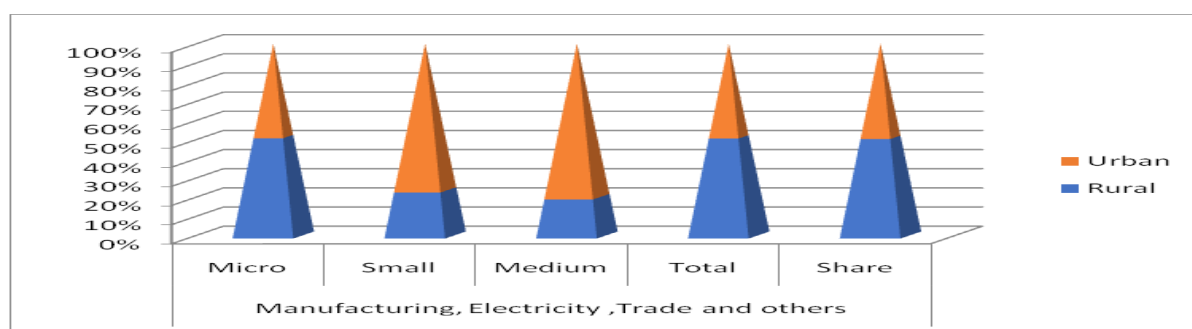
approximately 45% to the overall manufacturing output and stands for approximately 48% of total exports. The diagram presented below illustrates the distribution of activity across MSMEs. The micro sector, comprising an estimated 630.52 lakh firms (324.09 lakh in rural areas and 306.43 lakh in urban areas), dominates the manufacturing, electrical, trade, and other sectors, representing over 99% of the total estimated MSMEs. The small sector, consisting of around 331,000 enterprises (78,000 in rural areas and 253,000 in urban areas), represents 0.52% of the overall estimated number of MSMEs. The medium sector comprises around 5,000 enterprises (1,000 in rural areas and 4,000 in urban areas), accounting for 0.01% of the entire estimated enterprises. There is an estimated total of 633.88 lakh MSMEs, with 51% (324.88 lakh) located in rural areas and 49% (309 lakh) in urban areas.

Table-2: Different Level Distribution of MSMEs Rural and Urban area wise (in Lakh)

Activity	Manufacturing, Electricity, Trade and others				
Sector	Micro	Small	Medium	Total	Share
Rural	324.09	0.78	0.01	324.88	51%
Urban	306.43	2.53	0.04	309.00	49%
Total	630.52	3.31	0.05	633.88	100%

Source: (Annual Report, Ministry of MSME, Government of India, 2020-21.)

SME's sector owned by socially backward groups such as SC, ST and OBC and other etc. when 66.42% of enterprises owned by socially backward group in micro sector, whereas small and medium sector has 36.80% and 24.94% of enterprises owned by socially backward group respectively.



Sources- (Annual Report, Ministry of MSME, Government of India, 2020-21.)

The MSMEs sector has generated a total of 11.10 crore employment opportunities in both rural and urban regions. Within this sector, 360.41 lakh individuals are employed in manufacturing, accounting for 32% of the workforce. Additionally, 0.07 lakh individuals are involved in non-captive employment. According to the NSS 73rd round conducted during the period 2015-16, the MSMEs

sector has generated a total of 11.10 crore jobs in both rural and urban areas. Out of this, 360.41 lakh individuals are employed in the manufacturing sector, which stands for 32% of the total employment. Additionally, 0.07 lakh individuals are engaged in non-captive generation and transmission, while 387.18 lakh individuals are involved in trade. In rural areas, MSMEs

account for 45% of the total employment, providing jobs to around 447.78 lakh individuals. Similarly, in urban areas, MSMEs contribute to 55% of employment, employing around 612.10 lakh people.

These enterprises possess the benefit of being founded with minimal infrastructure and low capital investment. Furthermore, they help to the reduction of regional and categorical disparities by providing employment opportunities to diverse class including males, females, Scheduled Castes (SC), Scheduled Tribes (ST), and Other Backward Classes (OBC). This inclusive approach extends to both rural and urban areas.

5. GOVERNMENT INITIATIVES FOR MSMEs

The Government has expanded the scope of coverage provided under the credit guarantee fund plan. MSMEs have the opportunity to access collateral-free loans of up to INR 2 crore, an increase from the previous maximum of INR 1 crore, through designated financial institutions.

The Ministry of MSMEs is implementing a variety of initiatives aimed at offering financing, financial and marketing support, skill development training programmes, infrastructure development, and technology upgrading.

The Prime Minister's Employment Generation Programme (PMEGP) is a government initiative designed to create employment possibilities in both rural and urban areas. It is administered by Khadi Village and Industry Development as the central agency. This agency is responsible for its implementation at the national level.

The Credit Linked Capital Subsidy Scheme (CLCSS) has been designed with the objective of promoting technological advancements in MSMEs by providing them with access to institutional funding.

The Credit Guarantee Trust Fund for MSMEs (CGTMSE) is a plan that provides collateral-free credit facilities and loans to MSMEs through approved lending institutions.

The Skill Development and Training scheme aims to generate employment opportunities, reduce unemployment rates, foster entrepreneurial activities, support the implementation of innovative business strategies,

and enhance competitiveness within the MSMEs sector.

The Entrepreneurship and Skill Development Programmes (ESDP) aim to foster an understanding of entrepreneurship among young individuals, enabling them to establish small company ventures and develop their professional paths. This initiative seeks to raise awareness about entrepreneurial opportunities and provide guidance and support throughout the process. The Scheme of Funds for Regeneration of Traditional Industries (SFURTI) is designed with the objective of facilitating the organisation of traditional industries and craftsmen to enhance their competitiveness and ensure their long-term viability and continued employment. The Government of India has implemented several initiatives aimed at promoting the welfare of MSMEs in response to the COVID-19 pandemic.

The government has increased the authorised budget for the financial year 2021-2022 for MSMEs by more than double, from Rs 7572 crore in 2020-2021 to Rs 15700 crore. The Government has recently launched a number of economic packages as relief measures to safeguard businesses and entrepreneurs in the MSMEs sector, both in rural and urban areas. These measures are intended to stimulate the Indian economy.

In May 2020, the Union Cabinet approved a scheme to provide financial support and accessibility to the MSMEs sector. Under this scheme, a loan of INR 3 lakh crore was sanctioned, with the provision of collateral-free borrowing. Eligibility for this loan was limited to borrowers in the MSME sector who had an annual business turnover of INR 100 crore and an outstanding debt of INR 25 crore.

This initiative will have a positive impact on 4.5 million small and medium enterprises. The National Credit Guarantee Trustee Company Limited has been offering a guaranteed credit line facility, providing qualifying MSMEs with comprehensive coverage of 100% guarantee. The finance ministers have announced an additional package of 20,000 crore for distressed MSMEs which will benefit 2 lakh units. They have also informed us about a 50,000 crore equity infusion in MSMEs that exhibit growth potential and viability. This initiative aims to encourage MSMEs to list on the Stock Exchange, establish e-

market linkages, and exempt them from global tender requirements for procurement up to Rs 200 crore.

The government has initiated the reorganisation of the national apprenticeship training programme (NATS) in response to the personnel needs of the manufacturing sector within MSMEs, with the aim of sustaining their growth. The primary objective of the revised definition of MSMEs is to significantly enhance the differentiation between the manufacturing and services sectors. Finally, it is certain that the government's relief measures will facilitate the long-term viability and profitability of MSMEs.

6. FINANCING ON MSMEs

MSMEs encounter significant challenges when it comes to obtaining financial resources around the nation. It's very common occurrence for all MSMEs to experience a scarcity of finances. According to estimates provided by the IFC and McKinsey, the global credit gap for MSMEs is approximately \$3.9 trillion. Out of this amount, around \$2.1 to \$2.6 trillion is attributed to developing markets. Small and medium-sized enterprises (SMEs) necessitate financial resources and monetary assistance to facilitate a range of operations, including the acquisition of fixed assets, meeting working capital requirements, procuring raw materials, and other related activities.

Moreover, in the context of evolving business dynamics, additional funds are indispensable to sustain continuous modernization and technological advancements.

The primary components of the Indian financial system encompass banks, non-banking financial companies, financial institutions, and venture capital firms. The public sector banks currently exercise control over a significant majority, over 70%, of the banking system. This control is directly administered by the government, which has the most influential position in the banking industry. Consequently, the dominance of government control has resulted in diminished competition and suboptimal outcomes for both bank owners and customers.

Banks are obligated to allocate 40% of their overall advances to the priority sector in which agriculture, with a specific sub-target of 18%. The remaining portion of the priority sector includes

sectors such as MSMEs, housing, education, export credit, and others. There is currently no distinct sub-goal designated for MSMEs within the priority sector lending target.

However, banks tend to prioritise short-term deposits over longer-term loans, as the latter can potentially compromise their asset-liability condition. MSMEs encompass a diverse and unstructured sector comprising micro, small, and medium enterprise segments, each characterised by unique requirements and distinct obstacles. Banks, which serve as the primary institutional credit providers in India, have been established at both the national and state levels to meet the financial needs of the sector. In August 2005, the government introduced a comprehensive policy package for MSMEs. The objective of this initiative was to bolster the allocation of credit to SMEs over a five-year timeframe. Consequently, a notable rise is found in the allocation of credit from public sector banks to the MSMEs sector.

7. REFINANCE FROM SIDBI

SIDBI, functioning as the primary financial institution for MSMEs, implements a refinance scheme aimed at accessing affordable credit to MSMEs. There are some measures have been accomplished to enhance the credit to MSMEs in order to establish a globally competitive manufacturing hub.

One such measure is the establishment of the 'SIDBI Make in India' fund, which is valued at Rs 1000 crore. This fund aims to give concessional finance to distinct industries that is recognized for support. SIDBI has established a fund amounting to Rs 60 crore for the implementation of a scheme aimed at fostering innovation, rural development, industrial growth, and entrepreneurship.

The fund will allocate its investments to scope of venture capital funds that principally target startups and early-stage firms operating in area of rural and agro-industries.

SIDBI has established a fund named the 'India Aspiration Fund' with a Gross value of Rs 2000 crore. This fund is intended to be used for investing in venture capital funds, which will then allocate their investments towards MSMEs. The investment made by the venture capital funds will be double the initial commitment made by SIDBI or 50% of the venture capital fund, whichever amount is higher.

In addition to SIDBI, a fund called 'SIDBI Make in India' Soft Loan Fund for MSMEs (SMILE) has been established with a capital of Rs 100 crore. This fund aims to provide soft loans as quasi-equity to manage the debt-equity ratio requirements and term loans for the establishment of new MSMEs, to support the growth opportunities of existing MSMEs.

8. REFINANCING ACTIVITIES OF SIDBI

The establishment of the Micro Development and Refinancing Agency (MUDRA) can be considered a significant initiative aimed at expanding financial services for microenterprises. On April 8, 2015, it was created as a wholly owned subsidiary of SIDBI with the purpose of providing money to micro firms that have not received financial support. Mudra loans are widely recognised as a comprehensive financial framework that effectively targets the lower socio-economic strata, commonly referred to as the "bottom of the pyramid".

Mudra specialises in refinancing banks and other lending organization that finance micro and small enterprises involved in manufacturing, trading, and service activities. Additionally, the company offers refinancing options for products with a borrowing requirement of up to Rs 10 lakh. The items developed under the Prime Minister's Mudra Yojana are classified into the following categories:-

- ❖ **Shisho** provided a loan of 50,000 units of currency.
- ❖ **Kishor** extended a loan ranging from 50,000 units of currency to 500,000 units of currency. The individual named
- ❖ **Tarun** has a net worth ranging from 5 lakh to 10 lakh.

The Micro and Small Enterprises Refinance Scheme (MSERS) offered by SIDBI extends support to scheduled banks, including state cooperatives, urban cooperatives, private banks, and foreign banks. These banks must adhere to strict requirements, such as having been in business for at least three years, turning a profit in the previous two years, and displaying solid fundamentals on their most recent audited balance sheet. a. The minimum net worth required is Rs 50 crore. The minimum requirement for the capital-to-risk weighted asset ratio is 90%. The net non-

performing asset (NPA) levels should not surpass 10%.

The SIDBI administers a refinance plan aimed at supporting the MSMEs sector. This scheme is exclusively accessible to banks. The extent of refinancing and eligible operations allows for 100% of the real disbursement to MSMEs after April 1, 2016.

However, this is subject to the counterparty discloser limit that has been set for this specific dispensation. The option to refinance is accessible for a maximum duration of three years, starting from the initial disbursement date. The rate of interest must not exceed the base rate MCLR of the corresponding banks. The MSMEs holds significant importance as a priority sector and is also recognised as a focal sector within the framework of the Make in India initiative. Moreover, the increased accessibility of affordable finance and other fiscal incentives has contributed to India's recognition as a highly advantageous market. Additionally, the geographical location of India confers upon it a distinctive advantage in terms of exports, owing to its seamless connectivity with other nations. India, with a population of 1.3 billion individuals, exhibits a notable tendency among its citizens to allocate a substantial portion of their disposable income towards food consumption. Consequently, India possesses the capacity to cultivate a mutually advantageous association with global entities involved in food processing, food retail, and associated supply chain operations. These organisations have the potential to achieve substantial business expansion opportunities within India by leveraging novel technological innovations and other means of value augmentation. The Indian banking and associated sector can be classified into two distinct segments. Non-banking financial institutions (NBFIs) differ from scheduled commercial banks in terms of their provision of funds. NBFIs primarily operate in areas that are underserved by banks, where they provide various roles. There are two organisations have been formed with the specific objective of providing assistance and support to agriculture and related businesses. These institutions are the NABARD and the Small Farmer Agribusiness Consortium. Furthermore, it is worth noting the existence of SIDBI, an organisation that specifically targets small, micro, and medium-scale enterprises. The

establishment of the major financial institution for the promotion, financing, and development of the MSMEs sector took place on April 2nd, 1990, under an act of the Indian Parliament. The majority of food processing units in India can be categorised as small and medium companies (SMEs), therefore making the programmes offered by SIDBI (SIDBI) applicable to this sector. The act of smiling is a facial expression characterised by the upward curving of the corners of the plan has been devised to offer soft loans in the form of quasi-equity or term loans with favourable conditions to MSMEs.

These loans aim to assist MSMEs in meeting the necessary debt-equity ratio for the foundation of an MSME. The primary focus of the enterprise is on new ventures, encompassing a diverse range of 25 sectors, one of which includes food processing. The loans bear resemblance to quasi-equity or soft-term loans with a standard duration of 7 years, but with a reduced interest rate during the initial three-year period. A comprehensive analysis of energy efficiency investments in MSMEs from inception to completion. The aforementioned scheme has been formed to provide financial support to initiatives aimed at mitigating waste, reducing emissions, and enhancing energy efficiency. Funding is provided for up to 90% of the project cost, with a maximum restriction of 1.5 crore as the project's base cost. This project also involves direct funding; therefore, establishing a conversation with SIDBI through a direct inquiry is the only requirement for accessing these facilities.

Furthermore, SIDBI offers receivable financing through its working capital plan along with syndication and facilitation services in collaboration with banks and rating agencies. The SIDBI facilitates the procurement of loans from various sources for MSMEs.

9. CHALLENGES FACED BY MSMEs

Considering the diverse priorities across various enterprises, it is evident that MSMEs have numerous challenges, which are outlined as follows:

MSMEs encounter challenges in obtaining timely and sufficient financial access.

There exists a pressing necessity to prioritise the utilisation of technology on a global scale, with the imperative to embrace optimal

methodologies and adhere to internationally recognised standards.

MSMEs encounter many obstacles referring to the accessibility of essential infrastructure, including market availability, trained labour, and up-to-date technology.

The presence of several labour rules and the intricate processes involved in ensuring acquiescence with these laws. The lack of an effective system for the expeditious revitalization of financially viable ailing enterprises. The attraction and retention of qualified workers has emerged as a major problem, given the challenge of acquiring skilled personnel within a population exceeding one billion individuals.

Large-scale enterprises employ cutting-edge technology to leverage both internal and external economies of scale in market competitiveness. Marketing is a significant task that has importance in the business landscape. Public procurement, on the other side, represents a substantial market for MSMEs. The issue at hand pertains to the impact of different taxes, which increases cost and also has bad effects on marketability.

MSMEs encounter challenges in accessing bank loans and other forms of financial assistance under favourable terms and conditions.

10. CONCLUSION

Finance are considered as the lifeline of Entrepreneurs and MSMEs play a meaningful role in generating employment and fostering business prospects within rural areas. The establishment and development of small and medium-sized firms (SMEs) are comparatively easy than those of larger industries. These enterprises offer a relatively straightforward initiation procedure, requiring minimal infrastructure and learned expertise, opportunity for self-employment. The employment of local personnel is of significant importance. The Indian government has implemented a range of plans, initiatives, and regulations aimed at addressing the financial obstacles faced by MSMEs during the ongoing epidemic. MSMEs endeavour to enhance their cash flow in order to optimise their operational efficiency. To achieve this, MSMEs may engage in collaborative efforts with underperforming firms, thereby leveraging their resources, workforce, and expertise through mutually beneficial commercial

agreements. Undoubtedly, this measure will contribute to the acceleration of the development rate of MSMEs as well as dormant companies, while also fostering the establishment of a greater number of firms in rural areas. It is concluded that Govt Initiative to provide financial assistance and SIDBI, are the main Financial Institution for the MSME sector in India.

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