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## Reviewed Study on Role of Banks in Empowering MSME

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### Abstract

Make in India a driven battle was propelled by Prime Minister, Narendra Modi on 25 September 2014, with an intention to transform the nation into a worldwide assembling centre point. He has propelled this battle to urge organizations to manufacture their items in India, intending to update fabricating part as a key engine for India's economic growth. Current investigation centres on featuring the part of MSMEs in the "Make in India" activity. Quantitative information in regards to this has been gathered utilizing different reports like Reserve Bank of India Database on Indian Economy, Database of Department of Industrial Policy and Promotion and report of CII's thirteenth assembling summit 2014. It has been broke down that the key zone of advance for India would be the improvement of its MSMEs to accomplish and oversee scale successfully. Our supply chains are over-reliant on MSMEs. The MSME segment utilizes more than 80 million individuals in 36 million units, and contributes 45 percent of the assembling yield. However our MSMEs are battling because of absence of access to speculation. As indicated by an examination led by the US-based Entrepreneurial Finance Lab (EFL), a credit hole of 56 percent exists in the MSME finance segment in India; while request is evaluated to be INR 28.03 trillion, the supply finance gave just INR 10.39 trillion, starting at July 2014. It has additionally been considered that how MSME part is perceived as the key engine for growth to advance entrepreneurship the nation over.

**Keywords:** MSME, Enterprises, SSI, SBI, GDP etc.

### Introduction

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. MSMEs plays crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth. Lending to the MSME sector has acquired Significance with the enactment of Micro, Small and Medium Enterprises Development Act in the year 2006 by the Government of India to have a focused and balanced growth of Micro, Small and Medium Enterprises MSME sector have played an important role in our country's economy & significantly contribute towards growth, manufacturing, services, industrial production, export, creation of employment opportunities, etc. MSMEs are the single largest employer after agriculture, contributing 8 % of GDP, 45% of manufacturing output & 40% of exports of the country. As per the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the micro, small and medium enterprises are defined as below:

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**Table 1:** The micro, small and medium enterprises as per the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

Categories	Manufacturing (Investment in Plant & Machinery)	Services (Investment in equipments)
Micro	Does not exceed 25 lakh	Does not exceed 10 lakh
Small	More than 25 lakh but does not exceed 5 crore	More than 10 lakh but does not exceed 2 crore
Medium	More than 5 crore but does not exceed 10 crore	More than 2 crore but does not exceed 5 crore

The Micro, Small and Medium Enterprise sector is crucial to India's economy. There are 29.8 million enterprises in various industries, employing 69 million people. The sector includes 2.2 million women-led enterprises (~7.4 percent) and ~15.4 million rural enterprises (51.8 percent). In all, the MSME sector accounts for 45 percent of Indian industrial output and 40 percent of exports. Although 94 percent of MSMEs are unregistered, the contribution of the sector to India's GDP has been growing consistently at 11.5 percent a year, which is higher than the overall GDP growth of 8 percent. Poor infrastructure and inadequate market linkages are key factors that have constrained growth of the sector. The lack of adequate and timely access to finance has been the biggest challenge. The financing needs of the sector depend on the size of operation, industry, customer segment, and stage of development. Financial institutions have limited their exposure to the sector due to a higher risk perception and limited access of MSMEs to immovable collateral.

#### Objectives and Methodology of the Paper

In this backdrop the present paper has been proposed with the specific objectives. The Role of Banks in empowering MSME and also to examine the issues and challenges of MSMEs. The present study is based on the case study method and descriptive. The Public Sector Banks, State Bank of India, Punjab National Bank, Corporation Bank and Canara Bank are selected for the study. Data are collected from the secondary sources most particularly from concerned Banks Annual Report, Websites of banks, Committee Reports, RBI Bulletins, MSME Bulletins / Publications and other secondary sources.

#### Micro, Small and Medium Enterprises Development (MSMED) Act

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises, are some of the other features of the Act.

On 9 May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, the erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form

the Ministry of Micro, Small and Medium Enterprises (M/o MSME). This Ministry now designs policies and promotes/facilitates programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and helps them to scale up. The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements efforts of the State Governments through various initiatives.

The role of the M/o MSME and its organisations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario. The schemes/programmes undertaken by the Ministry and its organisations seek to facilitate/provide:

- Adequate flow of credit from financial institutions/banks;
- Support for technology up gradation and modernization;
- Integrated infrastructural facilities;
- Modern testing facilities and quality certification;
- Access to modern management practices;
- Entrepreneurship development and skill up gradation through appropriate training facilities;
- Support for product development, design intervention and packaging;
- Welfare of artisans and workers;
- Assistance for better access to domestic and export markets.
- Cluster-wise measures to promote capacity building and empowerment of the units and their collectives.

#### MSME sector in AP & TS

As per the 2006-07 censuses of MSMEs, there were 45,692 working registered MSMEs in the state of AP. around 3.82 lakh persons were employed in the registered MSME sector. The number of unregistered MSMEs was 14.90 lakh, comprising of 14.83 Micro units and 0.07 lakh small units. 35.15 lakh persons are estimated to be employed in the unorganized sector.

A total of 1, 19,781 EMs & UAMs were filed upto 31-03-2016 in the state of Andhra Pradesh and a total of 89,340 EMs & UAMs were filed upto 31-03-2016 in the state of Telangana. The MSME sector in AP & TS manufactures a variety of products. There is a high concentration of micro and small units in the food sector, mineral and building materials sector, drugs and pharmaceuticals, fabricated materials, trading and service sector. Clusters of MSME sector are located in rural and urban Andhra Pradesh & Telangana engaged in traditional activities such as handicrafts (famous clusters are Machilipatnam artificial jewellery, Pedana block printing, soft toys, Kondapalli wooden toys, bidri work, filigree work, gold ornaments, etc), handlooms (Venkatagiri, Uppada, Gadwal, Pochampally etc), fan cluster (Hyderabad), drugs and Pharma cluster ( Hyderabad and Visakhapatnam), Granite processing, food processing clusters etc.

The estimated trends in regard to performance of MSME sector with respect to Total Working Enterprises,

Employment, and Market Value of fixed assets based on Fourth All India Census of MSME are as noted below:

**Table 2:** Performance of SSI/MSME, employment and investments

Sl. No.	Year	Total Working Enterprises (in lakh)	Employment (in lakh)	Market Value of Fixed Assets (in crore)
1	2006-07	361.76	805.23	868,543.79
2	2007-08	377.36	842	920,459.84
3	2008-09	393.7	880.84	977,114.72
4	2009-10	410.8	921.79	1,038,546.08
5	2010-11	428.73	965.15	1,105,934.09
6	2011-12	447.64	1,011.69	1,182,757.64
7	2012-13	467.54	1,061.40	1,268,763.67
8	2013-14	488.46	1,114.29	1,363,700.54
9	2014-15	510.57	1,171.32	1,471,912.94

**Table 3** Contribution of MSME sector in GDP and output (at 2004-05 prices)

Year	Gross Value of Output of MSME Manufacturing Sector (in crore)	Share of MSME sector in total GDP (%)			Share of MSME Manufacturing output in total Manufacturing Output (%)
		Manufacturing Sector MSME	Services Sector MSME	Total	
2006-07	1198818	7.73	27.40	35.13	42.02
2007-08	1322777	7.81	27.60	35.41	41.98
2008-09	1375589	7.52	28.60	36.12	40.79
2009-10	1488352	7.45	28.60	36.05	39.63
2010-11	1653622	7.39	29.30	36.69	38.50
2011-12	1788584	7.27	30.70	37.97	37.47
2012-13	1809976	7.04	30.50	37.54	37.33

**Source:** 1. Fourth All India Census of MSME 2006-07, 2. National Account Statistics (2014), CSO, MoSPI and 3. Annual Survey of Industries, CSO, MoSPI

### Banks to play bigger role in MSME sector

The role of banks to nurture the micro, small and medium enterprises (MSME) sector is providing finance. All stakeholders, including the Reserve Bank of India (RBI), banks, academia and entrepreneurs, should work in a partnership mode for sustainable development. According to Reserve Bank of India (RBI) guidelines, micro and small enterprises are those in which the loan size is up to Rs 5 crore. This segment is dominated by public sector banks. There are a lot of opportunities in this segment, as most large banks tend to focus on the top-end of the segment. As the economy recovers, investment demand and the need for credit will pick up. It is recognised that the existing banking structure in India is elaborate and has been serving the credit and banking services' needs of the economy. However, the flow of credit to the small and medium enterprise (SME) sector in India hasn't kept pace with the growth of credit to non-SME sector. By its sheer size, the SME market presents a huge opportunity for both public and private sector banks. For a segment that contributes nearly 12 percent of India's GDP, 45 percent of its manufactured production, and 40% of its exports, it remains largely unorganized due to lack of access to financing by banks.

The 4th All India survey of MSMEs states that close to 90 per cent of MSMEs are dependent on informal sources, which by any standards is a worrisome figure. The public sector banks today have close to 3000 specialized branches which specialize in lending to MSME units. Private sector banks have built up products and processes, which enable quick disbursement of loans. Most banks have switched over to centralized credit sanctioning, which enables better

turnaround time. Many others have increased the credit limits to the field level functionaries. While these steps have improved access, there is still a huge unmet demand for credit for MSMEs (There is a total finance requirement of INR 32.5 trillion (\$650 billion) in the MSME sector, which comprises of INR 26 trillion (\$ 520 Billion) of debt demand and INR 6.5 trillion (\$130 Billion) of equity demand). As per provisional data for period ended March 2016, total outstanding loan of the banking system to MSME sector stood at around 11.1 trillion rupees in 20.6 million loan accounts. Contrast this to the estimated need of INR 26 trillion and number of MSMEs at 51 million.

### Some of the Key Initiatives of the Bank on MSME

All nationalised banks in India have special schemes that cater to the financial needs of MSMEs, to help them set up and grow. It offers a number of tailor-made schemes for the benefit of different categories of small businesses and entrepreneurs, at attractive rates of interest. Bank considers the micro, small and medium enterprises (MSMEs) of the country as very important customers. It is committed to helping the MSMEs with easy, speedy and transparent access to banking services, not only for their day-to-day requirements but also during their periods of financial difficulty.

The following are some of the bank's major schemes for MSMEs:

#### a) State Bank of India

One of the most reputed banking organizations of India, State Bank of India (SBI) has adopted a detailed and focused approach towards SMEs. The bank has developed

a wide array of products and services to cater to the evolving needs of the SME sector. It has over 1.3 million SME loan accounts, with a total exposure of Rs 1.63 lakh crore. Under the Micro and Small Enterprises segment, SBI have provided credit of around Rs. 78,170 crore constituting 52 per cent of its total SME advances.

SBI has around 600 specialized SME branches that are focused towards enabling an effective platform for SME lending. Single-point contact through dedicated relationship managers has been put in place for medium as well as small enterprises. Centralized processing cells have been created for quick turnaround time in the sanctioning and disbursal of loans of up to Rs 1 crore. For inclusive growth, a special scheme called SME Collateral-Free Loan for the MSME segment has been designed. Under this scheme, finance will be provided to MSMEs under CGTMSE guarantee coverage, with liberalized terms, up to a credit limit of Rs 1 crore.

#### **Some MSME schemes from SBI:**

- Credit-linked capital subsidy scheme for technology up-gradation of micro and small industries
- Credit-linked capital subsidy scheme (food processing)
- Technology up-gradation fund scheme (Tufts) for textile and jute industry
- Industrial infrastructure up-gradation scheme
- SME easy loan against property
- Free cash pick-up facility
- Collateral-free loans for micro & small enterprises of up to Rs 1 crore with CGTMSE guarantee coverage
- SME Insta Deposit card
- Dealer financing at the interest rate of 9.7 per cent per annum.
- Schemes for supply chain
- Electronic vendor financing scheme
- Electronic dealer financing scheme

#### **b) Punjab National Bank**

Punjab National Bank is committed to providing the best services to their MSME customers through their schemes for businesses in different segments. The bank has over 88 MSME specialized branches all over the country, while several other branches also deal with MSME customers. The Bank is presently serving 4.68 lakhs micro, small and medium enterprises (MSMEs) across India. The purpose of starting these specialized branches was to make the processing of loans easier and quicker.

It caters to all kinds of entrepreneurs, and has different schemes for different people there are 11 schemes currently being offered by the bank for the benefit of the MSME segment. The major ones among these schemes are as under:

- Sarthak Udyami – This scheme aims at helping micro and small enterprises engaged in production, with an investment of up to Rs 25 lakh, to set up new units or expand or modernize their existing units. No collateral security or third party guarantee is required for loans of up to Rs 1 crore.
- PNB Pragati Udyami - This scheme provides financial assistance to both new and existing units for acquiring fixed assets such as land and machinery. No collateral security is required for loans of up to Rs 10 lakh.
- PNB Vikas Udyami - This scheme provides funds for

acquiring ISO-9000 certification. Expenses on consultancy, documentation, audit certification fees, equipment and calibrating instruments are taken into account for determining the loan requirement. No collateral security or third-party guarantee is required for loans of up to Rs 100 lakh covered under Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE).

- PNB Kushal Udyami - This scheme provides loans to craftsmen and technically qualified entrepreneurs to set up micro or small units and for the purchase of fixed assets. No collateral security is required for loans of up to Rs 10 lakh.
- PNB Garage Yojana - This scheme provides funds for technology upgradation of units. It does not require any collateral security or third-party guarantee for loans of up to Rs100 lakh. Loans for setting up industrial estates, financing co-operative societies, partnership firms and joint stock companies of entrepreneur's societies for establishing industrial estates
- PNB SME Sahayog Scheme - This scheme provides financial assistance to meet the unforeseen expenditure of SME enterprises having a good track record. Collateral security has to be obtained as per the bank's extant guidelines.
- PNB Artisan Credit Card - The motive of the scheme is to provide hassle-free financial support to artisans and to make credit delivery simple and easy. No collateral security or third-guarantee is required. The loan has to be covered under the Credit Guarantee Scheme of CGTMSE.
- PNB Laghu Udyami Credit Card – This is a simplified loan delivery mechanism, which aims at providing hassle-free financial support to small business units, retail traders, artisans, village industries, micro and small enterprises, and self-employed persons. No collateral security or third-party guarantee is required for loans of up to Rs 100 lakh covered under Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE). The rate of interest on loans offered by Punjab National Bank is lesser than that of other banks. They provide loans to MSMEs at a rate of interest between 10.25 and 15.25 per cent,”

#### **c) Corporation Bank**

Most banks in India offer finance to micro, small and medium-sized units in the country, under different schemes. Corporation Bank, too, offers several loan schemes for the benefit of SMEs in different sectors in India. The Corporation Bank bagged the 'Best MSME Bank Award 2016' instituted by the Associated Chambers of Commerce and Industry of India (ASSOCHAM). Having in its fold more than 300 chambers and trade associations and serving more than 4 lakh members from all over India, It has also contributed significantly by playing a catalytic role in shaping up the trade, commerce and industrial environment of the country. ASSOCHAM Best MSME Bank Award seeks to identify and honour banks and provide role model of best practices in MSME lending. The evaluation has been based on the performance in MSME segment—growth, targets, quality, innovation, technology use to improve reach, service quality, penetration and reporting systems, CSR activity for social

upliftment, skill building initiatives including training, creating financial literacy and promoting awareness and technology intervention.

The major ones among these schemes are as under:

- Corp SME Texplus Scheme This scheme aims at satisfying the financial requirements of small and medium-sized textile units in the country. Under this scheme, foreign currency loans are also offered to exporters, at liberal terms, based on the consistency of their performance. Finance is made available to both new and existing textile units under this scheme, for the purposes of working capital, expansion, installation of machinery, technological up-gradation or repayment of high-cost debts. No collateral is required for loans of up to Rs 25 lakh. The interest rate under this scheme is 50 bps below the going rate, with additional relaxation offered to SME rated customers.
- Corp SME Gold Card Scheme This scheme aims at providing finance to loyal SME customers of the bank, who have satisfactory working capital limits. The purpose of these loans is to help SMEs tide over temporary cash flow crises and meeting their emergency cash requirements. Since these loans are available only to existing SME customers of the bank, no additional collateral is required to be furnished. The card rate of interest is applicable on these loans, with additional relaxation being offered to SME rated borrowers.
- Corp SME Credit Card Receivable Funding This scheme provides funds to SME units against their credit card receivables. The major focus of this scheme is on SME units offering hospitality services, like restaurants, lodges and clubs, those into healthcare, and retailers, which satisfy the bank's criteria. The rate of interest charged under the scheme is 0.25 per cent less than the applicable card rate. No collateral is required under this scheme, except for charge on credit card receivables.
- Corp SME Receivable Funding This scheme offers finance to SMEs in the manufacturing sector, against their receivables from their clients. Usually, there is a delay of about 90 days in receiving payment by these SME units, in return for the goods sold to large corporation. This scheme aims at mitigating the liquidity crunches in case of such SMEs. These loans are available to SME vendors supplying to reputed large corporations, as well as to SMEs having a good track record of supplies to large firms. No collateral is required under this scheme, except for charges on receivables. The rate of interest is 0.25 per cent less than the applicable card rate, with further relaxation available to SME rated customers.
- SME Liquid Plus Scheme This scheme offers finance to new as well as existing SMEs in the manufacturing sector, which fulfil the criteria decided upon by the bank.
- Finance is made available to these units for the purpose of resolving their liquidity crunches and for meeting expenditure incurred on research and development, product development, marketing, branding, stocking seasonally available raw material, and executing unexpected bulk orders. Mortgage of immovable property or financial assets are accepted as collateral under this scheme. The rate of interest is 0.25 per cent

less than the applicable card rate, with further relaxation available to SME rated borrowers.

- Corp Laghu Udhya Credit Card Scheme This scheme aims at satisfying the finance requirements of small business units, village industries, artisans, professionals and self-employed people. Funds are available to meet the term loan and working capital requirements of these individuals/businesses. No collateral is required for loans of up to Rs 10 lakh, provided they are covered under CGTMSE (Credit Guarantee Trust Fund for Micro and Small Enterprises). The rate of interest applicable under this scheme is 12.4 per cent.
- Corp Term Plus Scheme Under this scheme, finance is available to existing SME units, for the purpose of investing in/upgrading plant and machinery or for expansion/modernisation of their businesses. The assets created through the loan can be used as collateral under this scheme.

#### **d) Canara Bank**

Canara Bank has a number of finance schemes for the benefit of the micro, small and medium-sized units (MSMEs) in the country, across different industries. The bank offers finance to MSMEs to meet their capital expenditure, for their working capital requirements, as well as for other purposes. The following are the major schemes offered by Canara Bank to bridge the working capital gap among MSMEs:

- Simplified Open Cash Credit (SOCC) Under this scheme, finance is available to small entrepreneurs who are unable to maintain detailed stock books, for the purpose of working capital. The maximum amount of funds available under this scheme is Rs 5 lakh. No collateral is required for these loans. The assets created using the credit facility can be offered as prime security.
- Open Cash Credit Scheme (OCC) This scheme makes finance available to MSMEs against stocks and receivables, for the purpose of working capital. Stocks and receivables are, thus, the prime security in case of such loans. The bank might obtain collateral security in the form of land and building, plant and machinery, and/or personal guarantee as and when required.
- Micro financing joint liability groups The major focus of this scheme is to make finance available to groups of handloom weavers and agarbatti (incense stick) manufacturers, for the purpose of working capital. In order to be eligible for these loans, the groups should consist of five to 10 members. The maximum limit of finance available under this scheme is Rs 50,000 for individuals, Rs 2 lakh for groups of five members, and Rs 5 lakh for groups of 10 members. No collateral is required for availing of these loans. The assets created out of the loan funds can be offered as security.
- Laghu Udhya Credit Card Scheme (LUCC) Finance of up to Rs 10 lakh is made available under this scheme to small units, including retail traders, artisans, village industries, self-employed people and professionals. In order to be eligible for these loans, the borrower should have a satisfactory track record with the bank for at least three years. No collateral is required for these loans. The stocks or receivables created using the loan funds can be offered as security.

A rate of interest between 10.5 per cent and 11.5 per cent is charged for loans of up to Rs 50,000. The rate of interest is between 12.5 per cent and 13 per cent for funds between Rs 50,000 and Rs 2 lakh. For loans between Rs 2 lakh and Rs 10 lakh, a rate of interest between 12 per cent and 15.75 per cent is charged.

### **Strengthening the Banking System for lending to MSMEs**

With a view to strengthen the reach and scope of credit delivery mechanism for small entrepreneurs and businesses, RBI has recently issued in-principle approvals for setting up of 10 Small Finance Banks (SFBs). The SFBs are mandated to extend 75 per cent of their Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by RBI. Further, these banks are also mandated to ensure that at least 50 per cent of their loan portfolio should constitute of loans and advances of up to Rs.25 lakh. This is intended to ensure that these SFBs have a diversified loan book with exposures to small entrepreneurs. We believe that together with the existing players, these banks would be able to meet the credit needs of small businesses in a holistic and timely manner, which is so central to the financing needs of the MSMEs.

The recent revision to the priority sector lending guidelines has also sought to facilitate flow of credit to the sector. While on the one hand, the target for banks' lending to micro enterprises has been progressively increased to 7 percent by March 2016 and 7.5 percent by March 2017, medium enterprises have been brought within the ambit of priority sector, whereby all loans to medium enterprises in the manufacturing sector and those up to Rs. 10 crore in the service sector now qualify for priority sector classification. Bankers ought to have a sound understanding of the businesses that they finance. In respect of established businesses with predictable cash flows, conducting a credit appraisal, developing a proper understanding of the business cycle and analysing problems is a lot easier when compared to small businesses, which often do not follow a set business cycle, are too dependent on idiosyncratic events and where promoters are not in a position to bring additional equity quickly. In this decade of retirements for the PSBs, the number of trained personnel has been dwindling very fast while the relatively inexperienced bottom rung does not possess appropriate skill-sets to lend to the MSME sector, which is perceived to be risky and costlier to service.

Despite their high enthusiasm and inherent capabilities to grow, SMEs in India are also facing a number of problems like sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic & global competition, working capital shortages, not getting trade receivables from large and multinational companies on time, insufficient skilled manpower, change in manufacturing strategies and turbulent and uncertain market scenario. MSMEs are now exposed to greater opportunities than ever for expansion and diversification across the sectors. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector.

### **Conclusion**

MSMEs will continue to play a very important and vital role in our economy where the twin problems of unemployment and poverty constitute a major developmental challenge. In fact, if India were to have a growth rate of 8-10 percent for the next couple of decades, it needs a strong micro, small and medium sector. MSMEs are the best vehicle for inclusive growth, to create local demand and consumption. Thus, the banks and other agencies should take pride while servicing the MSMEs as they are playing an instrumental role in the formation of MNCs of tomorrow. MSMEs need to adopt innovative approaches in their operations. SMEs that are innovative, inventive, international in their business outlook, have a strong technological base, competitive spirit and a willingness to restructure themselves can withstand the present challenges and come out successfully to contribute 22% to GDP. Indian MSMEs are always ready to accept and acquire new technologies, new business ideas and automation in industrial and allied sectors

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