



Study Of The Flow Of Credit Facility To Msme's Sector

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Abstract:

This research paper analyse the flow of credit facility to Micro, Small and Medium Enterprises, (MSMEs) sectors in India, the data with the help of annual data table report of RBI. The study aims to examines trends and pattern in the disbursement of credit over the last 5 years and provide a comprehensive understanding of the financial support to MSMEs. It aims to identify key challenges that to face MSMEs in gain formal credit, including procedural bottlenecks, collateral requirements, or regional disparities. The study explains the impact of credit available on the growth, performances, and sustainability of MSMEs, which are deeply analyses credit availibility on the growth, performances and sustainability of MSMEs, which are critical for India's economic development through employment generation, GDP, and exports. Addressing these issues, the research aims to provide actionable insights and policy recommendations to enhance the credit ecosystem for MSMEs to ensure their effective participation in India's economic progress.

The research is done with the objectives in forth which to study the growth and tendency of the credit delivery during the years of 2019-2024 and further attains to study which particular industry receives the highest amount in these years. The research also studies the criteria's and eligibilities of the firms for the different government schemes.

Keywords: MSMEs , Credit delivery, Micro, Small and Medium Enterprises.

Introduction:

Micro, Small, and Medium Enterprises (MSMEs) are a vital part of the Indian economy, significantly contributing to GDP, employment generation, and exports. MSMEs account for over 29% of India's GDP, 50% of total exports, and one-third of the country's manufacturing output, underscoring their role in driving economic growth and industrial development. Recognizing their importance, the Reserve Bank of India (RBI) and the Government of India have introduced several initiatives to strengthen and support this sector.

This research focuses on examining the trends, challenges, and policy measures related to credit access for MSMEs, with a particular emphasis on recent growth in outstanding credit.

The study will analyse the credit flow to the MSME sector under various government schemes, including the Pradhan Mantri Mudra Yojana (PMMY), Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGFSMSE), Small Industries Development Bank of India (SIDBI) initiatives, Stand-Up India, Start-Up India, and support from banks and financial institutions.

Micro-enterprises, a subset of MSMEs, are small-scale businesses typically employing fewer than ten individuals and requiring minimal investment. These enterprises are crucial in fostering employment, supporting local economies, and promoting self-reliance by catering to niche markets with limited resources. Through this research, the role of credit access in empowering MSMEs and enhancing their contribution to India's economy will be explored in depth.

Literature Review:

- Entrepreneurship development in India: a new paradigm (Manish Kumar Jindal, Awadesh Bhardwaj) According to researcher Entrepreneurship at the community level can create self-employment chances for people who may lack access to technology. Recent government reforms have strengthened the start-up ecosystem, Making India a global hub for technology-driven ventures. Initiatives like Industrial Policies and Special Economic Zones aim to reduce unemployment and poverty, but challenges such as limited access to finance and technical skills persist.
- A Study on Start-up and its impact on MSMEs in India with special reference to Maharashtra State (*Dr. S. Manikandan*): The author states that the MSME sector plays a crucial role in India's economy by generating employment at low capital costs and fostering industrialization in rural areas, thereby reducing regional imbalances and promoting inclusive growth. The author also highlights that the government has introduced initiatives, such as the MSMED Act (2006), to support MSMEs, while the "Start-up India" initiative focuses on

nurturing innovation and creating jobs. Additionally, the author notes the significance of the Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) in enhancing the productivity and competitiveness of MSMEs.

- A study on credit facilities provided to MSMEs with special reference to Canara bank, SHIMOGA V. Sellam1 Dr. R. Swamynathan2 (Primax International Journal of Commerce and Management Research ISSN : 2321-3604): The author states that India's economy faces underutilized resources and outdated techniques. Industrialization, especially small-scale industries, can boost growth by reaching rural areas with lower capital needs. The study examines Canara Bank's role in supporting MSMEs financially.

The author states in thesis that small-scale industries (SSI) are vital for India's industrial growth and economic development. They generate employment, ensure equitable income distribution, promote regional industrial balance, and contribute to exports. SSIs also help mobilize capital and develop entrepreneurial skills, making them a dynamic and crucial part of the economy.

- A study on start-up and its impact on MSMEs in India with special reference to Maharashtra state Dr. S. Manikandan: MSME provides loans not only to large sectors like industry but also to small sectors and rural areas, helping to maintain balance in national income and reduce inequality. The Start-up India scheme promotes innovation, fosters the start-up ecosystem, and generates employment in the country. Prime

Minister Narendra Modi announced it on August 15, 2015, and it was launched on January 16, 2016, at Vigyan Bhavan, New Delhi. It also helps in the growth of cluster development, where interconnected businesses in specific fields grow across the nation.

This study investigates why banks hesitate to provide loans to SMEs and suggests solutions to improve their access to bank financing, using both published data and first-hand research. The Start-up India scheme recognizes the potential of hardworking entrepreneurs who are unable to fulfil their goals due to a lack of

capital. To address this, the government launched the scheme to boost employment and economic development in the country. It also encourages innovative ideas and helps bring them into action. The Start-up scheme, initiated by the Prime Minister, supports young entrepreneurs with innovative ideas by offering tax exemptions for three years, capital gains tax concessions, and a single point of contact with the government. It also promotes the establishment of innovation and research centres and provides a 90-day exit period for start-ups.

Working Definition Used:

- 1) **Micro, Small and Medium Enterprises MSMEs:** This scheme based on their investment in the plants, firms and industries. In that Scheme *Micro enterprises* Provide loan on the Investment of up to ₹1 crore of investment and turnover up to ₹5 crores. *Small enterprise:* up to ₹10 crore of investment and ₹50 crore of turnover. *Medium enterprise:* up to ₹50 crore of investment and ₹250 crore of turnover. This classification to clearly economic scope and size for the purpose and policy formation.
- 2) **Credit facility:** it is the credit facility provide both short term and long term funding facility to the borrowers to access funds up to a specific limit.
- 3) **Pradhan Mantri Mudra Yojana (PMMY):** this scheme facilitates to the credit flow to micro, small and medium enterprises in the form of non- form, non- corporate sector.

The loan under three products-Shishu: loan up to ₹50,000, Kishor: ₹ 50,000 to ₹ 5 lakh and Tarun: ₹5 lakh to ₹ 10 lakh have been provided by Financial Institute aim to entrepreneurship development and promote small enterprises along with restart structure for financial inclusion all over India.

- 4) **Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGFSMSE):** This Scheme designed to provide backed collateral free credit to micro and small Enterprises.
- 5) **Start-up:** this scheme promotes and facilitate growth start-ups facilities in the India. Its aims to foster an ecosystem that encourage entrepreneurship, job creation, and sustainable economic growth, particularly in sector like technology, innovation and services.
- 6) **Stand- up India:** the scheme provides loans between 10 lakhs and ₹1 crore to support the establishment for greenfield

industries in manufacturing, services and trade sector. The goal is to empower these under presented groups, foster inclusive growth and encourage self-reliance access to credit and business development opportunities.

Research Problems:

The Researcher will study the amount delivered in the years to 2019-2023 to the small and medium scale enterprises. In further study the researcher will try to understand the government’s initiatives towards the Employment generation and productivity enhancement through the MSMEs sector.

Hypothesis

- H0: The micro enterprises have not received higher outstanding amounts than that of small enterprises.
- H1: The micro enterprises have received higher outstanding amounts than that of small enterprises.

Research Methodology:

The data is collected from the reports of Reserve bank of India. for this I have compared the data of credit delivery

Objective:

- To study the finances given to the MSMEs in 2021 to 2023
- To understand the volumes of the finances among the micro, small, and medium Enterprises.
- To study the different sources of Financing the MSMEs’ in India

Limitations:

- The study is only comparing the Micro and Small enterprise’s outstanding amounts.
- The research is based on the data of years 2019 to 2023 only
- The Research based on the only secondary data collected from RBI annual Report.

to the micro enterprises with small and medium enterprises separately and applied then t-test for testing the hypothesis.

Statistical Techniques used: for this research I have used the statistical tools like arithmetic mean, median, skewness, kurtosis and t-test.

Data collection and Interpretation:

Data was collected by secondary method of data collection. Reserve Bank of India - Annual Report of 2023-24 was used for the said purpose. The data collected is tabulated as followed:

Table 1.1 Bank Credit to MSMEs

(Fig are in lakh Crores)

Financial Year	Micro Enterprises	Small Enterprises
2019-20	7.0	6.4
2020-21	8.2	6.6
2021-22	8.8	7.2
2022-23	10.5	7.5

(Secondary data- RBI annual report)

The above data was collected from the different annual financial reports of

the Reserve Bank of India. The said data illustrates the credit delivery to the MSME

sectors from year 2019 to 2024. The amount outstanding to the micro industries was highest in the year of 2022-23. If we observe closely we can see that most of the accounts were opened under the category of Micro Enterprises and that is the reason the highest amount of credit was delivered to the micro sector. On the other hand, small and

medium scale industries have shown slow and steady growth in the given years in case of both number of accounts as well as amount outstanding.

Hypothesis Testing:

General T-test- one tail was used for the said purpose. The result of the are as follows:

t-Test: Two-Sample Assuming Unequal Variances

	Micro Enterprises	Small Enterprises
Mean	8.635695	6.914833
Variance	2.076613	0.277148
Observations	4	4
Hypothesized Mean Difference	0	
df	4	
t Stat	2.24334	
P(T<=t) one-tail	0.044147	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.088294	
t Critical two-tail	2.776445	

A two-sample t-test assuming unequal variances was conducted to examine the difference in average credit delivered to Micro Enterprises and Small Enterprises. The findings indicate that Micro Enterprises received a higher average credit (mean: 8.636) compared to Small Enterprises (mean: 6.915). The variance in credit distribution was greater for Micro Enterprises (2.077) than for Small Enterprises (0.277), reflecting more fluctuations in the credit allocated to Micro Enterprises.

The Null hypothesis assumes no significant difference in the mean credit

between the two groups, while the alternative hypothesis suggests that such a difference exists. The calculated t-statistic (2.243) exceeds the critical t-value for the one-tail test (2.132), but it is below the critical t-value for the two-tail test (2.776). The one-tail p-value (0.044) is less than the 0.05 threshold, indicating a statistically significant difference when a one-sided hypothesis is considered. However, the two-tail p-value (0.088) is greater than 0.05, suggesting that the difference is not statistically significant when tested in both directions.

Recommendation:

1. The credit delivery to small and medium enterprises should be increase.
2. More data of beneficiaries should be made available for the research purpose.

3. The dedicated portal should be more interactive and user friendly

Conclusion:

The 20.9% growth in credit to MSME during 2023-24 demonstrate a

positive trains driven by policy focus and central silence. However, addressing systematic challenge will crucial to sustaining his momentum and ensuring inclusive financial growth for MSME.

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