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Financing the MSME Sector in India: Approaches, Challenges and Options

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Abstract

The mandate to provide financial support to the small and micro enterprises has been wedded historically to the social/development banking priorities of India. As the country moved into the liberalization phase in the early 1990s, these priorities have been reset and redefined to match the objectives of developing a primarily profit-oriented, efficient and competitive banking sector. The reform measures that have been unwound through the last two decades try to recast the general financial architecture and to create newer instruments and arrangements for financial deepening. These changes have meant a renewed focus on the medium, small and micro enterprises (MSMEs) - especially, the unregistered micro component within them – given their fractured linkages with the mainstream financial system. This paper attempts a close look at the existing empirical evidence on the status and performance of the small scale industry/MSME sector in India as also the institutional framework and policy initiatives in providing for finance to the sector. In the process, the paper addresses some important challenges that might blight the efforts at broad-basing financial services to MSMEs, particularly, those in the informal sector.

Keywords: Small industry, MSME, India, Finance
JEL Classification: O25, G20

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Contents

List of Tables

List of Figures

List of Appendices

Financing the MSME Sector in India: Approaches, Challenges and Options

Tara Nair
Keshab Das

1. Introduction

The mandate to provide financial support to the micro and small enterprises (MSEs), historically, has been wedded to the social or development banking priorities in India. The National Credit Council in the late 1960s had identified small scale industries as a priority sector along with agriculture. As the country moved into the liberalization phase in the early 1990s, these priorities have been reset and redefined to match the objectives of developing a primarily profit-oriented, efficient and competitive banking sector. The reform measures that were unwound through the last quarter century or so have tried to recast the general financial architecture of the country and create newer instruments and arrangements towards deepening the financial markets through inclusive ways. These changes have meant a renewed focus on the micro, small and medium enterprises (MSMEs), whose linkages with the mainstream financial system have been fractured over the years.

This paper takes a critical look at the trends in MSME financing in India in the light of the initiatives to reform the institutional framework and policy initiatives aimed at promoting financial inclusion. In the process, the paper addresses some important challenges that might afflict the efforts at broad-basing financial services to MSMEs, especially, those in the informal sector. The paper is organized as follows: Section 2 presents issues related to defining MSMEs in India, followed by empirical analysis of the size and structure of the sector in Section 3. Data pertaining to the flow of bank credit to MSMEs is analysed in detail in Section 4. The extant and emerging institutional arrangements in MSME financing are discussed in Section 5, while Section 6 presents some concluding observations.

2. MSMEs: Issues in Definition

The conceptual and legal framework of India's industrial development draws upon the provisions of the Industries (Development and Regulation) (IDR) Act, 1951 that empowers the central government to specify conditions for defining industrial

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undertakings[1]. Unlike in most countries, where small and medium enterprises have been defined mainly based on employment and/or turnover criteria, India follows a unique approach in defining the MSMEs. A certain ceiling on the historical/original value of investment in plant and machinery has been used to classify enterprises by scale. The upper investment limit of small scale industries (SSIs) had been raised several times since the 1980s (Table 1).The overall definitional framework notwithstanding, the small industry policies from time to time have added new categories with differential investment limits and/or locational restrictions or allowed differential investment limits to be applied to a selected set of commodities[2]. The industry categories added through the 1980s and 1990s included tiny enterprises (1977), export oriented units (EOUs) (1991), small scale service enterprises (SSSEs) (1982), and small scale service and business enterprises (SSSBEs) (1991).

Table 1: Changing Criteria for Size Classification of Small and Micro Industry: 1980-1999

Year	Manufacturing Industry				Service Industry
	Upper limit of the historical/original value of plant and machinery (Rs. million)				Upper limit of the investment in equipments (Rs. Million)
	Small	Ancillary*	Micro/Tiny**	EOU	Small***
1980	2.0	2.5	0.2	-	-
1985	3.5	4.5	0.2	-	0.2
1991	6.0	7.5	0.5	7.5	0.5
1997	30.0	30.0	2.5	30.0	0.5
1999	10.0	10.0	2.5	10.0	0.5

Source: Das (2011: 5).

Notes: i) EOU – Export Oriented Unit; this category was introduced in 1991.

ii) *An ancillary unit was defined as a small industrial undertaking which is engaged or is proposed to be engaged in the manufacture or production of parts, components, sub-assemblies, tooling or intermediates, or the rendering of services and undertaking supplies or renders or proposes to supply or render not less than 50 per cent of its production or services, as the case may be, to one or more other industrial undertakings.

iii) **An additional category Tiny units was introduced in 1980 to demarcate units with investment in plant and machinery up to Rs. 0.1 million located either in rural areas or towns

1 As per Section 11 [B], 'Power of Central Government to specify the requirements which shall be complied with by small scale industrial undertakings', The Industries (Development and Regulation) Act, 1951 [Act No. 65 of 1951] 31 October, 1951.

2 For instance, the upper investment limit was raised to Rs. 50 million for 41 items of Hosiery and Hand Tools in October 2001; for 23 more items of Stationery and Drugs and Pharmaceutical industry since June 2003 and for 7 more items of Sports Goods since October 2004.

having a maximum population of 50,000 as per *Census of India 1971*. The population limit increased to 0.5 million as per *Census of India* 1981 and the locational conditions were dropped in 1991. The investment limit was raised to 2.5 million.

iv) ***SSSE – Small Scale Service Establishment; introduced in 1985 to refer to service oriented units with investment in fixed assets up to 0.2 million located in rural areas or in towns with a population up to0.5 million; reorganized since 1991 as SSSBE – Small Scale Service and Business Enterprise –with investment up to 0.5 million (no location constraint); investment limit further revised to 1 million in 2000.

The latest revision in investment ceiling was carried out in 2006 through the enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Apart from raising the upper investment bound of small manufacturing enterprises to Rs. 50 million, this revision has resulted in the standardization of size categories of enterprises[3]. The Act, importantly and for the first time, has provided a definition for the 'medium' enterprises[4]– as those with investment in plant and machinery between Rs. 50 million and Rs. 100 million[5]. The Act has also introduced the term 'enterprise' in the place of 'industrial undertaking' in a bid to make the definition inclusive of both manufacturing and services. As per the Act an 'enterprise' refers to "an industrial undertaking or a business concern or any other establishment, by whatever name

3 In 1997 a major upward revision was made in the upper investment limit for SSIs to make it Rs. 30 million (see, Department of Industrial Policy and Promotion, Ministry of Industry, Order dated 10th December, 1997, New Delhi). It was, however, brought down to Rs. 10 million in December 1999 (see, Department of Industrial Policy and Promotion, Ministry of Industry, Order dated 24th December, 1999, New Delhi, *The Gazette of India*, Extraordinary, Part II-Section 3-Sub-Section (iii)).

4 The medium category is the typically 'missing' middle industrial segment in developing countries. The 'missing middle' argument continues to dictate much of the mainstream research on industrial distribution in India. As per this argument, the industrial structure of the country is characterized by 'dualism' induced by policy (relating mainly to labour and fiscal incentives) wherein a large number of small-sized enterprises coexist with a small number of large firms, while the middle is missing. This gives rise to a bimodal distribution. Some scholars have found recent evidence to confirm this argument (Krueger, 2009; Hasan and Jandoc, 2010; Ramaswamy, 2013). However, there is a counterview which suggests that medium enterprises have indeed been an important contributor to the industrialization process. In case of western Europe (Italy, Spain, France and Germany) medium enterprises dominate not just in terms of employment and value addition shares, but act as sources of competitiveness and clustering (Garofoli, 2013). Similarly, Chang-Tai and Olken (2014) present strong counter evidence to this proposition by studying the data for India, Indonesia and Mexico. In the case of India, their analysis found no economically meaningful bunching of firms around the size threshold of 100 employees where various labor regulations kick in. In other words, their analysis suggests that "thresholds due to formality or regulations are unlikely to be causing major distortions in the economy" (p. 90).

5 Subsequent to the enactment of the MSMED Act, a new ministry was formed in 2007 at the central government – the Ministry of Micro Small and Medium Enterprises – by merging the ministries of small scale industries and of agro and rural industries.

called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services". Table 2 presents the new definitions of MSMEs as discussed so far. These definitional changes have rendered some of the earlier industrial categories like ancillary and export-oriented units redundant (Sajeevan, 2012).

Table 2: Criteria for Defining MSMEs, 2006

	Upper limit for value of investment in plant & machinery (Rs. millions)			Upper limit for value of Investment in equipments (Rs. million)		
	Manufacturing enterprises			Service enterprises		
	Micro	Small	Medium	Micro	Small	Medium
2006	2.5	2.5 to 50	50 to 100	1.0	1.0 to 20	20 to 50

The new classification, however, does not address the other rather trickier problem – the dichotomous structure of the industry wherein registered and unregistered entities coexist. Enterprises that are registered with the designated government agency at the provincial level[6] and production units covered by the provisions of the Factories Act, 1948 make up for the 'registered' or 'organized' sector, whereas enterprises with temporary or incomplete registration status are considered 'unregistered' or 'unorganized'. The registered-unregistered dichotomy poses significant analytical problems in all exercises of estimating the size and economic contribution of MSMEs in the country. Eventually, the estimates produced by the official system have always been prone to criticism from researchers (Das, 2008: 120-123), who point to their inferior quality, incongruous classifications and arbitrary computations, which severely compromise enterprise policy decisions.

3. Size and Performance of the MSME Sector

Availability of data on the Indian MSE sector has significantly improved since the situation that prevailed during the early years of planning. As lamented in the First Five Year Plan, "The information available on the subject of the existing small industries is extremely meagre…While surveys of individual industries or individual centres of small industry are available, often the information they furnish is not recent enough and does not throw sufficient light on the problems of an industry as a whole".[7]Since

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6 The District Industries Centres (DICs), the Khadi and Village Industries Commissioner/Board (KVIC/B), and the Coir Board (CB) are the agencies designated to register industries. KVIC/B and CB have the mandate to promote traditional industry, while the DIC is the agency to deal with all requirements of small and village industries.

7 Government of India, *First Five Year Plan*, 'Small Industries and Handicrafts', Chapter 25, http://planningcommission.nic.in/plans/planrel/fiveyr/index1.html (accessed 31 August 2015).

the 1970s, the primary source of data relating to the small industry segment has been the periodic census exercises conducted by the Development Commissioner, Small Scale Industries (SSIs) or, since 2006, MSMEs. Between 1972 and 2006 four such census rounds were carried out to assess the size and performance of the sector. The first two rounds (1972 and 1987-88) were confined to the SSIs in the registered sector only. The third census (2001-02) included SSIs in the unregistered sector too.

The fourth census was conducted in 2006-07 – the first one after the passage of the new law, the MSMED Act –and it followed a methodology different from those of all the previous ones. It undertook a complete enumeration of enterprises in the registered sector, while the unregistered units were captured through a sample survey. However, the sample survey excluded activities in the service sector (wholesale/ retail trade, legal, educational & social services, hotel & restaurants, transport and storage and warehousing, except cold storage). Data relating to these activities were extracted from the Economic Census, 2005 conducted by the Central Statistical Office (CSO) of the Ministry of Statistics and Programme Implementation (MoSPI)[8]. As revealed by the fourth MSME Census, which was based on the new (2006) definition of enterprises, the sector was composed of 21.3 million microenterprises, 0.1 million small enterprises and 3000 medium enterprises. It is obvious that the findings from these successive surveys cannot be compared as they followed distinctly different definitions and approaches. This is a serious limitation of the existing database on MSMEs.

Table 3presents the estimates of size of the sector (classified as SSIs till the third Census and as MSMEs in the fourth) across the various Census rounds. For reasons discussed above, one cannot attempt to draw any meaningful comparison of the composition of the sector across time periods using this data. It is clear from Table 3that notwithstanding definitional changes, the small enterprises in the country are predominantly rural, micro and unregistered.

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[8] Economic Census provides detailed activity-wise information relating to operational and economic performance of agricultural and non-agricultural establishments at national, state, district and village/ward levels. The database serves as a sampling frame for drawing samples for socio economic surveys by governments and research organizations. The first Economic Census was conducted in 1977 covering only non-agricultural establishments employing at least one hired worker on a fairly regular basis. The second and third Economic Censuses were conducted in 1980 and 1990, respectively, and covered all agricultural and non-agricultural establishments, excepting those engaged in crop production and plantation. The fourth and fifth Censuses carried out in 1998 and 2005, respectively, too had the same coverage.

Table 3: Composition of SSIs/MSMEs in India, 1972-2007

(Number of units in lakh)

Particulars	1st SSI Census (1972)*	2nd SSI Census (1987-88)	3rd SSI Census (2001-02)	4th MSME Census (2006-07)
Total number of units	0.16	0.58	10.52	21.44
Total registered units	0.16	0.58	1.38	1.56
Total unregistered units	NA	NA	9.15	19.87
Total rural units	0.07 (44.65)**	0.25 (42.27)	5.81 (55.20)	12.68 (59.12)
Tiny/Micro units				21.32 (99.47)
Average firm size(employment per unit)	10.38	6.29	4.48	5.93

Sources: Government of India (1977, 1992); http://www.dcmsme.gov.in/ssiindia/census/sumryres.htm; DCMSME (2011, 2012).

Notes: (1) * Coverage restricted to units registered with the DIC.

(2) **Includes units in 'Backward Areas' (49349) and 'Rural Industries Project Areas' (21247).

(3) NA – not available.

(4) Figures in parentheses in the fourth and fifth rows are percentages to total units and total rural units, respectively.

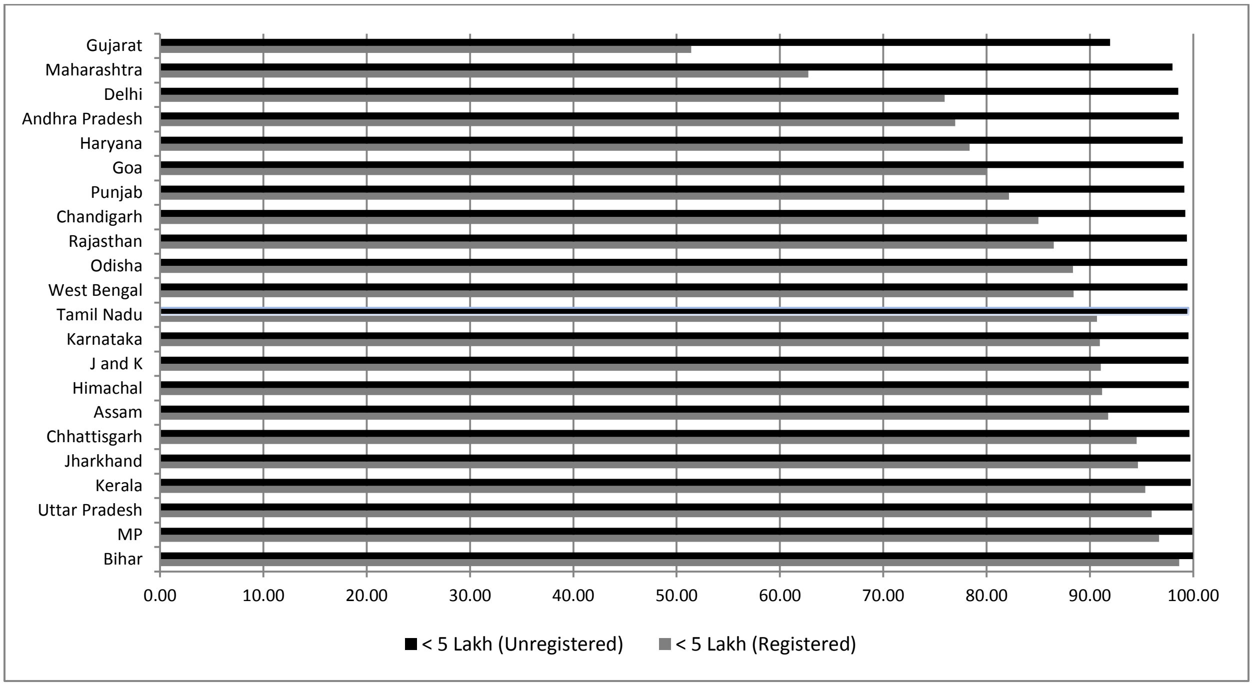
Based on the fourth Census, the state-wise analysis of the size structure of enterprises (Table 4) shows that micro units (with investment in plant and machinery less than Rs. 0.5 million) account for more than 90 per cent of all enterprises in several states. In fact, in Bihar, Madhya Pradesh, Uttar Pradesh and Jharkhand the share of such units is above 95 per cent. At the other end of the spectrum, one finds states like Chandigarh, Gujarat and Maharashtra with around half to a third of the enterprises in the micro category. As one would expect, the share of microenterprises is higher in the unregistered sector in all states (Figure 1).

Table 4: Percentage Distribution of Microenterprises by State, 2006-07

State	Proportion of Enterprises with Plant and Machinery Investment (Registered and unregistered together) (Rs. million)				
	up to 0.5	0.5 to 2.5	2.5-50	>50	All
Bihar	98.82	0.93	0.24	0.02	100
Chandigarh	98.77	1.01	0.21	0.01	100
Madhya Pradesh	97.11	2.11	0.74	0.03	100
Uttar Pradesh	96.28	2.27	1.38	0.06	100
Kerala	95.42	3.59	0.95	0.04	100
Jharkhand	95.32	2.40	2.19	0.09	100
Chhattisgarh	95.20	3.50	1.26	0.03	100
Assam	92.44	4.76	2.68	0.12	100
Himachal	92.02	5.02	2.78	0.18	100
Jammu and Kashmir	91.67	5.82	2.44	0.08	100
Karnataka	91.38	6.89	1.67	0.07	100
Odisha	91.27	6.04	2.61	0.08	100
Tamil Nadu	90.97	5.96	2.97	0.10	100
West Bengal	90.62	6.10	3.17	0.10	100
Rajasthan	88.22	7.71	3.91	0.16	100
Punjab	83.26	11.58	5.01	0.15	100
Goa	80.95	11.24	7.22	0.59	100
Haryana	80.26	13.26	6.27	0.22	100
Andhra Pradesh	79.36	15.15	5.43	0.06	100
Delhi	77.12	17.17	5.50	0.21	100
Maharashtra	65.94	22.41	11.47	0.18	100
Gujarat	52.75	36.60	10.21	0.45	100

Source: http://www.dcmsme.gov.in/ito_msme/censuses.htm
Note: Enterprises that did not furnish information are omitted from the analysis.

Figure 1: State-wise Distribution of Enterprises (%) with Investment in Plant and Machinery less than Rs. 0.5 million by State



Source: Same as Table 4.

3.1 Performance of MSMEs

How have the MSMEs been performing over the years, especially, in terms of production and employment? Some of the performance related variables - production (constant prices), employment and exports – pertaining to the four decades since the mid-1970s have been presented in Table 5. These are estimates brought out by DC-SSI/MSME based on the relevant all India Census figures that are revised periodically. The series reflects the definitional changes of small industries/enterprises that have been introduced from time to time. The abrupt jump in the values in 1990-91 and 2006-07 coincides with major upward revisions in investment limits for MSEs.

Given that definitions of SSIs/MSMEs have undergone periodic changes, it would be appropriate to review their performance across specific time periods to match broadly the periods of definitional stability. We have identified three such periods– 1980-81 to 1989-90, 1990-91 to 2005-06 and 2006-07 to 2014-15. As the compound average growth rates (Table 5) would reveal, the rate of growth of production of MSEs has declined significantly since the mid-2000s. The secular declining trend in employment since the early 1970s seems to have been arrested in the recent years. The growth rates of the number of enterprises have been practically stagnant since the early 1990s. As for exports, the growth rates have slightly improved during the third period compared to the second.

Table 5: CAGR (%) of Major Performance Indicators

Time period	Number of units	Production	Employment	Export
1980/81 - 1989/90	7.66	10.15	5.35	15.05
1990/91 –2005-06	3.80	10.50	3.96	12.19
2006/07 - 2014/15	3.73	6.06	4.25	14.73

Source: Same as Table 4.

The performance statistics of MSMEs in India presents a situation where the smaller enterprises have lost the momentum of growth that drove the sector during the 1980s and 1990s. It is obvious that the micro units, which form bulk of the sector, bear much of the brunt of the deceleration in output growth.

3.2 *Finance for MSMEs*

It is well recognized that a critical factor that limits the performance potential of small enterprises across the world is access to finance. Empirical studies across countries have found them to be facing higher risk premiums given the small size of demand, high transaction costs, opacity and lack of collateral (Beck and Demirguc-Kunt, 2006).These characteristics make them less desirable in the financial market. An estimate of the World Bank shows that approximately 70 per cent of MSMEs in the emerging markets lack access to credit (International Finance Corporation, 2013). Their estimated financing gap is $2.1 to $2.6 trillion, or 30 to 36 per cent of outstanding MSME credit. The number of unserved (needy, but without any loan or overdraft) and underserved (have loans, but face access constraints) enterprises, formal and informal put together, is estimated to be between 200 and 245 million. There are regional variations in credit gap, with Africa and Asia reporting wider gaps.

The fourth MSME Census (2006-07) estimates show that 87 per cent of the Indian small firms have not received any external financing or have resorted to self-financing. The percentage of such enterprises is as high as 97 in the case of unregistered enterprises. Only about 10 per cent of the registered enterprises have availed institutional credit. The corresponding share for the unregistered sector is negligible. The results of the enterprise survey of informal enterprises conducted by Jana Foundation in 2013 in Bangalore are quite revealing in this respect. The sample was made up predominantly of proprietary enterprises with two or less employees. The study found that though 70 per cent of microenterprises had bank accounts, only 5 per cent had accessed public or private banks for term loans. As for working capital the corresponding percentage was a mere 0.5 per cent. None reported accessing private banks for working capital needs. Not surprisingly, the study found large incidence of informality among survey respondents; 90 per cent of them had never filed income tax returns, 67 per cent had not maintained any books of account and 65 per cent had no enterprise registration of any kind. As expected, a majority of respondents has been accessing informal sources of finance to meet their credit needs (Jana Foundation, 2013).

The following section takes a close look at the trends in bank credit to MSMEs since the 1980s with a view to understanding how the sector has been faring with respect to claiming a share in overall credit and within the priority sector credit as also in comparison to other production sectors. It may be noted that banks are the only formal source of short term credit for small enterprises in India.

4. Bank Credit Flow to MSMEs: Analysis of Trends

As may be seen from Table 6, the credit share of SSIs was the highest – about 17 per cent on an average - during the years 1984-85 to 1988-89. It had come down to just about 10 per cent by the mid-2000s, the period when both the definition and methodology of estimation had undergone drastic changes. Currently, bank credit to MSMEs stands at around Rs. 7800 billion, i.e., 13 per cent of the total non-food bank credit outstanding. The table shows that during the 1990s, the SSI credit share largely remained stable around14-15 per cent. The share fell steeply through the next decade until it started picking up by around the late 2000s. The current share of MSMEs in total credit is equivalent to what it was during the late 1970s through early 1980s.

Table 6: SSIs/MSMEs and Flow of Bank Credit: 1980-2015

Year	Non-Food Bank Credit (NFBC)	Priority Sector Advances (PSA)	Credit to SSIs/ MSMEs (SSI)	SSI/PSA (%)	SSI/NFBC (%)
1980-81	255.30	87.75	37.04	42.21	14.51
1981-82	301.82	107.05	46.02	42.99	15.25
1982-83	354.90	129.52	54.63	42.18	15.39
1983-84	419.13	155.55	65.85	42.33	15.71
1984-85	487.71	185.27	78.31	42.27	16.06
1985-86	561.09	218.81	92.05	42.07	16.41
1986-87	633.04	256.93	109.18	42.49	17.25
1987-88	728.54	299.14	127.54	42.64	17.51
1988-89	855.69	343.11	145.24	42.33	16.97
1989-90	1008.24	385.97	161.81	41.92	16.05
1990-91	1144.49	425.68	176.15	41.38	15.39
1991-92	1290.44	465.61	192.84	41.42	14.94
1992-93	1414.47	512.69	212.97	41.54	15.06
1993-94	1660.12	573.88	247.09	43.06	14.88
1994-95	1990.07	654.20	291.33	44.53	14.64
1995-96	2381.04	754.08	338.72	44.92	14.23
1996-97	2755.41	873.12	394.04	45.13	14.30
1997-98	3114.73	1011.89	452.15	44.68	14.52
1998-99	3579.61	1171.17	514.95	43.97	14.39

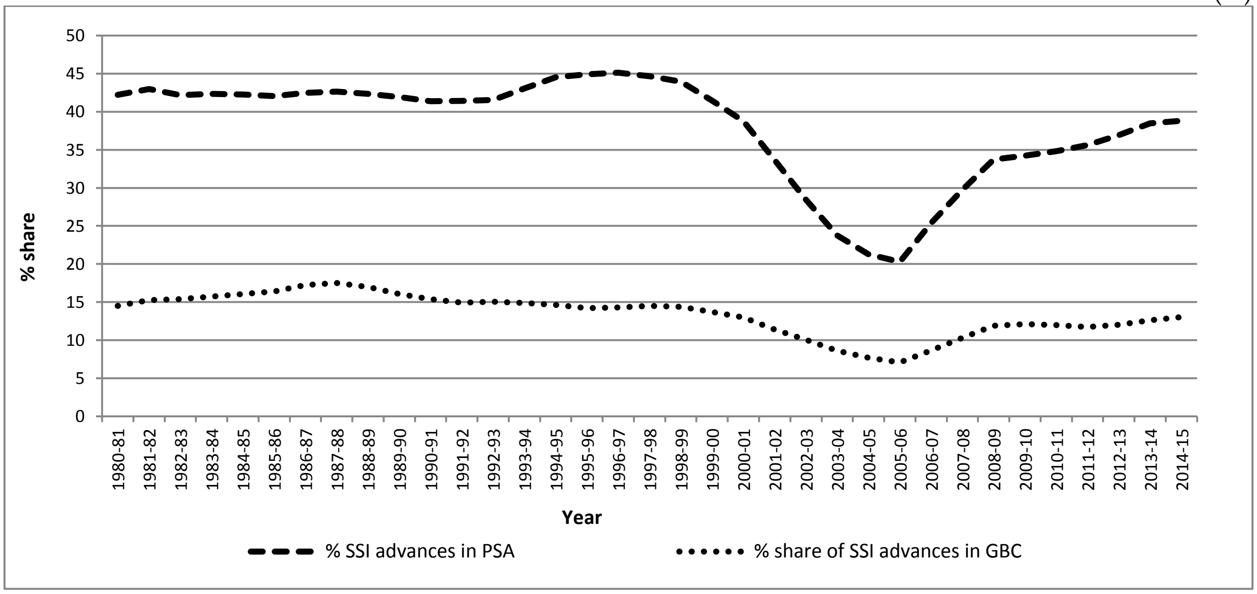
1999-00	4112.44	1357.03	562.85	41.48	13.69
2000-01	4724.85	1584.97	614.28	38.76	13.00
2001-02	5623.08	1901.98	639.85	33.64	11.38
2002-03	6734.35	2381.05	676.74	28.42	10.05
2003-04	8479.56	3080.97	731.38	23.74	8.63
2004-05	11101.73	4009.56	853.31	21.28	7.69
2005-06	14701.21	5128.25	1040.35	20.29	7.08
2006-07	18519.52	6305.99	1602.26	25.41	8.65
2007-08	22304.32	7720.05	2295.30	29.73	10.29
2008-09	26154.14	9242.37	3115.99	33.71	11.91
2009-10	31029.31	10956.94	3751.91	34.24	12.09
2010-11	36655.71	12585.56	4383.34	34.83	11.96
2011-12	42755.54	14077.62	5012.56	35.61	11.72
2012-13	48963.03	15968.55	5895.78	36.92	12.04
2013-14	54673.72	17932.81	6901.51	38.49	12.62
2014-15	60264.85	20219.85	7852.48	38.84	13.03

Source: RBI (2016),for data from 2007-08 onwards.
Notes: PSA refers to priority sector advances and NFBC to non-food bank credit.
Credit figures are three-year moving averages.

Table 6 also reveals that credit to SSIs formed 40-43 per cent of the priority sector advances during the 1990s. There was a sudden drop in this share between the late 1990s and early 2000s (Figure 2). The revival of these shares seems to have set in around the mid-2000s, coinciding with the introduction of the new definition and estimation methodology.

Figure 2: Share of SSIs/MSMEs Credit in Non-Food Bank Credit and Priority Sector Advances, 1980-2015

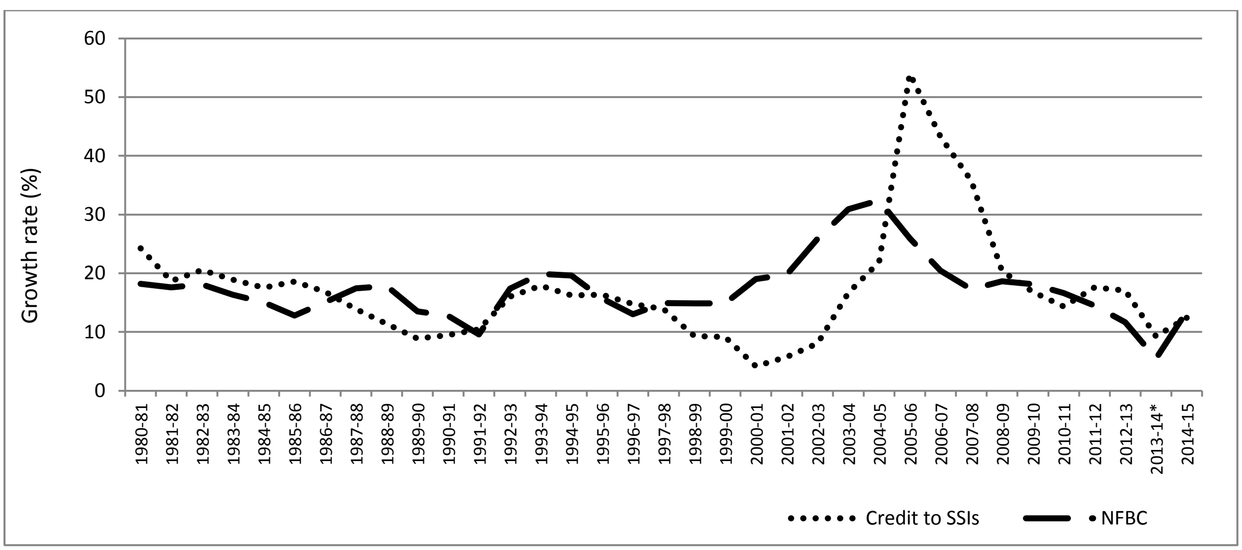
(%)



Source: Same as Table 6.

Figure 3 shows that compared to the overall credit, the growth rates of credit to SSIs/MSMEs have been more unstable, particularly since the late 1990s. Prior to 2006-07, the growth rate of SSI credit was lower than that of overall credit for most years. The difference between the two rates was the maximum between the late 1990s and mid-2000s. The situation reversed around 2007-08, when the rate of growth of credit to MSMEs exceeded that of overall credit. But more importantly, both overall credit and credit to MSME have been growing at declining rates since 2004-05.

Figure 3: Growth Rates of Non-Food Bank Credit and Credit to SSIs/MSMEs, 1980-2015



Source: Same as Table 6.

Period-wise CAGRs of SSI/MSME credit along with the overall and priority sector advances are presented in Table 7. The time periods are chosen to reflect the definitional changes. The observations made earlier are confirmed by these estimates. The period since 2007-08 has witnessed a decline in the growth of the overall and priority sector credit, compared to the previous sub-periods. The SSI credit growth, which was the highest during the 1980s, dropped sharply during the 1990s, to pick up some of the lost momentum again the mid-2000s onwards.

Table 7: Period-wise CAGR of Credit: Overall, Priority Sector and SSIs/MSMEs, 1980-2016

Time period	Non-Food Bank Credit	Priority Sector	Credit to SSIs/MSMEs
1980/81 to 1989/90	16.86	19.14	19.59
1990-91 to 2006-07	17.80	17.22	12.22
2007-08 to 2015-16	12.85	12.88	14.42

Source: Same as Table 6.

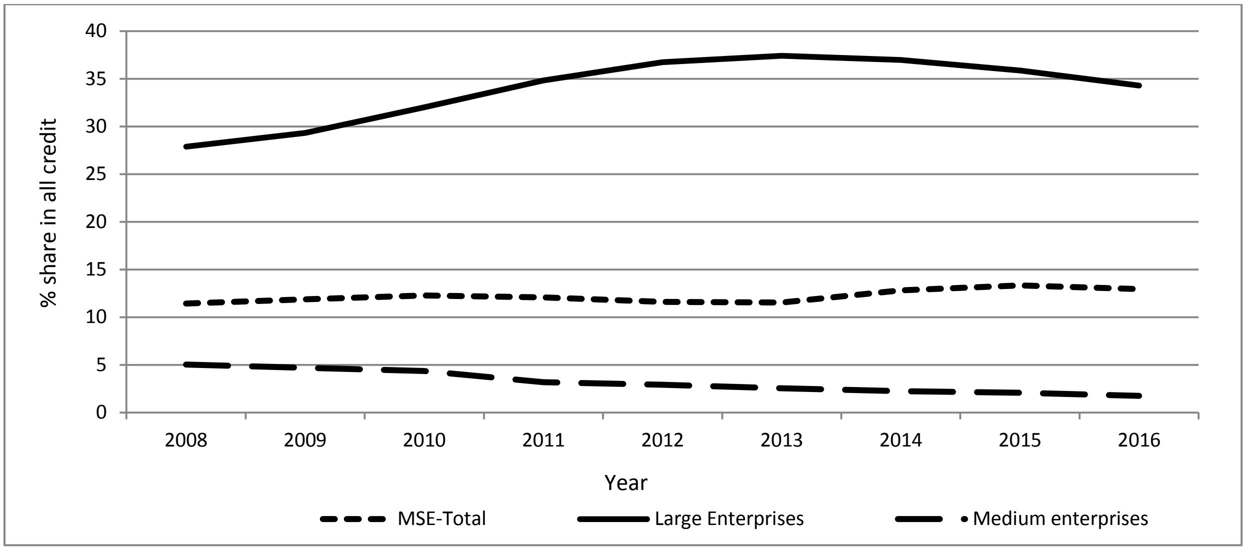
We have examined the credit shares in gross bank credit of micro, small, medium and large enterprises separately for the period 2007-08 to 2014-15 to see how they compare in terms of access to bank credit. As shown in Table 8, the data points to the credit share of industry rising since 2008, driven mainly by the increased credit share of large enterprises (Figure 4). Micro and small enterprises, both manufacturing and services, present a mixed picture, though service enterprises seemed to have fared slightly better in accessing credit during the more recent years (Figure 5). The low and declining share of medium enterprises throughout is striking, though.

Table 8: Credit Share of Industry in Gross Bank Credit, 2008-2016

Year	All Enterprises	MSE-Manufacturing	MSE-Services	MSEs-All	Medium Enterprises	Large Enterprises
2008	38.93	6.02	5.41	11.43	5.03	27.89
2009	40.53	6.50	5.39	11.88	4.69	29.33
2010	43.15	6.79	5.5	12.29	4.36	31.99
2011	43.75	5.73	6.34	12.08	3.18	34.84
2012	45.16	5.52	6.11	11.62	2.91	36.74
2013	45.80	5.84	5.71	11.55	2.56	37.40
2014	45.51	6.30	6.50	12.80	2.24	36.97
2015	44.27	6.33	7.00	13.33	2.07	35.87
2016	41.71	5.67	7.27	12.95	1.75	34.28

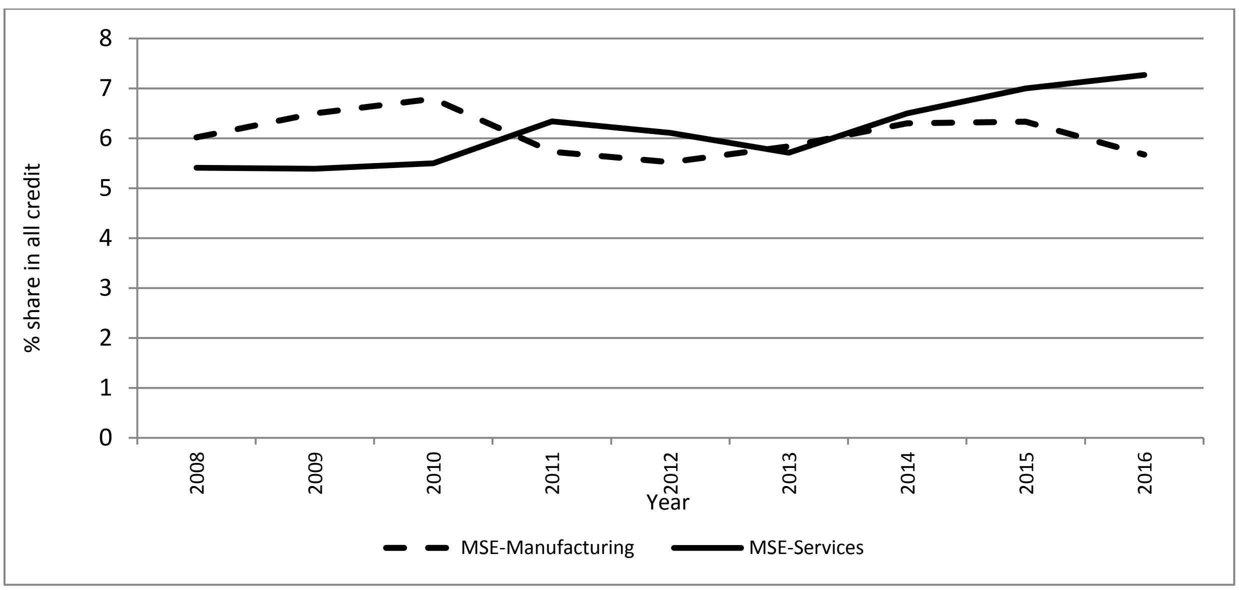
Source: RBI (2015 and 2016).

Figure 4: Credit Share of Medium, Large and all Enterprises in Gross Bank Credit, 2008-2016



Source: Same as Table 8.

Figure 5: Credit Share of Micro and Small Enterprises in Gross Bank Credit, 2008-2016



Source: Same as Table 8.

Considering the overall increment to total credit over the period 2008-15 by broad sector, it is found that the total industry sector accounts for 47 per cent of the incremental credit (Table 9). However, there is an interesting size bias in this incremental credit share. While large industry accounts for 40.5 per cent of all incremental credit, the share of micro and small industry is just 6.5 per cent. The medium industry could hardly garner any share. This establishes the formal banking sector's neglect of the MSEs, in particular, whose prime constraint has been recognised as access to adequate and timely finance.

Table 9: Share in Incremental Credit by Sector in 2015 over 2008

Sector	Increment in 2015 over 2008	
	Amount (Rs.billion)	Share (%)
Non-food Credit	37981.51	100
Agriculture & Allied Activities	4905.37	12.92
Industry (Micro, Small, Medium and Large)	17992.83	47.37
Micro & Small	2473.3	6.51
Medium	137.36	0.36
Large	15382.17	40.50
Services	8637.82	22.74
Personal Loans	6445.49	16.97

Source: https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications.

5. Ensuring Financial Access to MSMEs: Extant and Evolving Institutional Arrangements

As widely held, credit has been identified as the most critical 'policy variable' that impacts the pace and pattern of growth of the small industry sector in India (Morris, 2001).The dominance of large industry in the distribution of credit had been a major reason that triggered nationalisation of commercial banks in 1969.The nationalisation ushered in a phase of priority lending to certain designated sectors deemed important for the nation's balanced development like agriculture and small business and industry, which had been receiving relatively less attention from the banks until then. This was an important step in the direction of asserting the proposed developmental role of the banking system. The major initial government step following nationalisation was to identify certain sectors, namely, agriculture, small-scale industries, retail trade, small business, road and water transport operators, self-employed and professionals, exports, and education as priority sectors so that loans could be extended to those at concessional terms (Birla Institute of Scientific Research, 1981). As per the priority sector stipulations all the commercial banks are required to earmark at least 40 per cent of their advances for the priority sectors, including agriculture and SSIs. The instrumentality of priority sector was used by the federal state during the 1980s to channel financial assistance to certain targeted sections. The major design features of such state initiatives included focus on self-employment, mix of subsidy and institutional credit, non-insistence on collateral/ third party guarantee for obtaining bank loans, insistence on the purpose of loan use and concessional interest rates.

Several studies have shown that bank nationalisation did bring in noteworthy progress in advances to small enterprises and agriculture as also in smaller accounts (Torri, 1975). Later studies too found convincing evidence to establish positive association between bank nationalisation and expansion of banking outreach to marginal sections and excluded regions (Nair, 2000; Burgess and Pande, 2005).However, the reviews of banking progress undertaken in the years following the introduction of economic reforms were critical of directed lending. In 1991 the Committee on the Financial System (Chairman: M. Narasimham) made a recommendation to reduce the scope of mandated credit under the priority sector from 40 per cent (fixed during the mid-1980s) to 10 per cent and eventually phase it out as it apparently reduced the profitability of the banking system. However, the second Narasimham Committee on Banking Sector Reforms (1998) that studied the progress of implementation of the first committee's recommendations acknowledged the "continuing need for banks to extend credit to agriculture and small scale sector which are important segments of the national economy" and, hence, the continuance of priority sector benchmarks. But it suggested that such lending should be made "on commercial considerations and on the basis of creditworthiness" and under complete responsibility of bank managers (Chapter III, para 3.31).

According to the Committee "the contamination coefficient of directed credit" has been higher than unity as testified by the non-performance of loans under the priority sector. The Committee, hence, recommended complete elimination of the interest subsidy element in credit for the priority sector and deregulation of interest rates on loans above a certain size. Lending rates for loans with credit limit of over Rs. 200000 were deregulated by the RBI in 1994 while banks were required to disclose their Prime Lending Rate (PLR). A series of reforms followed on the interest rate front through the 1990s until the central bank delinked the PLR and interest rates for loans above Rs. 200000 in 1999. While interest rates have been freed subsequently, the priority sector has also been restructured to include sectors like housing, social infrastructure, renewable energy and medium scale enterprises. As part of the measures to increase competitiveness in the banking sector, the RBI had also granted licenses to several new private sector banks during 1993 to 2000. By March 2005, the new private sector banks and the foreign banks had come to account for a fifth of total banking assets in India (Kanth, 2012).

Through the decades of the 1990s and 2000s the banking system in the country has gradually been goaded towards market-led business and regulatory models. The *Report of the Banking Sector Reforms Committee* (1997-98) ushered in this shift by recommending greater market orientation of banks and urging them to enhance their competitive efficiency, productivity and quality and range of services. However, directed lending has not fallen out of favour with the banking regulator all these years. In 2012, the Committee to Re-examine the Existing Classification and Suggest Revised Guidelines (Chairman: M.V. Nair), appointed by the RBI endorsed the importance of directed lending until the time the country achieved "the desired level of financial deepening at all levels of society" and recommended the retention of the priority sector (consisting of agriculture, micro and small enterprises, micro credit, education, housing, off grid energy solutions for households and exports) lending target at 40 per cent of adjusted net bank credit. The report was optimistic that affirmative financial inclusion would help mainstream the marginalized by ensuring 'access'. Some of the major recommendations made by the Committee that have a direct bearing on the MSE sector are:

- Discontinuation of Differential Interest Scheme
- Specific sub-targets for microenterprises within the MSE sector and small and marginal farmers within the agriculture sector
- Classification of loans sanctioned to NBFCs to be further on-lent to specific segments as priority sector loans (up to 5 % ANBC)
- Piloting of priority sector lending certificates (PSLCs)

Some of these recommendations have already been acted upon (for instance, specifying the MSE sub-target within priority sector advances) by the central bank. Regarding PSLCs, the RBI has notified its intention to facilitate their use and to make them eligible for classification under specific categories of the priority sector, provided the assets are originated by banks.[9]As per a recent RBI notification (April 2015) bank loans to MSMEs, for both manufacturing and service sectors, are eligible to be classified under the priority sector as per the norms mentioned in Table 10.

Table 10: Eligible MSME Categories and Targets/Sub-Targets under Priority Sector Lending, 2015

Enterprise Type	**Provisions as on April 23, 2015**
Microenterprises	7 per cent currently (and 7.5 per cent by March 2017) of adjusted net bank credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
Manufacturing Enterprises	MSMEs engaged in the manufacture or production of goods to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 and as notified by the Government from time to time.
Service Enterprises	Bank loans up to Rs. 50 million per unit to MSEs and Rs. 100 million to medium enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006.
Khadi and Village Industries (KVI)Sector	All loans to units in the KVI sector will be eligible for classification under the sub-target of 7 percent /7.5 percent prescribed for microenterprises under priority sector.
Other Finance to MSMEs	Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries; Loans to co-operatives of producers in the decentralized sector viz., artisans, village and cottage industries;

[9] 'Priority Sector Lending-Targets and Classification', RBI/2014-15/573 FIDD.CO.Plan.BC.54/04.09.01/2014-15, 23 April 2015. https://rbidocs.rbi.org.in/rdocs/notification/PDFs/PSLGUID0A65BF4E0A884F60999E748C58EA7F88.PDF (Accessed September 14, 2014)

	Loans sanctioned by banks to MFIs for on-lending to MSME sector subject to their satisfying the criteria of eligibility; Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card, and Weaver's Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals); Outstanding deposits with SIDBI on account of priority sector shortfall.
Export Credit	
Domestic banks (effective from April 1, 2015)	Incremental export credit over corresponding date of the preceding year up to 2 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher subject to a sanctioned limit of Rs. 2.5 million per borrower to units having turnover of up to Rs. 10 million.
Foreign banks with 20 branches and above (effective from April 1, 2015)	Similar provision effective from April 1, 2017; till March 2016 these banks are allowed to count certain percentage of export credit limit as priority sector.
Foreign banks with less than 20 branches	Up to 32 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.

Source: 'Priority Sector Lending-Targets and Classification', RBI/2014-15/573 FIDD.CO.Plan.BC.54/04.09.01/2014-15, 23 April 2015.
https://rbidocs.rbi.org.in/rdocs/notification/PDFs/PSLGUID0A65BF4E0A884F60999E748C58EA7F88.PDF (accessed September 14, 2014).

5.1 *Financial Inclusion and MSMEs*

The discourse on financial inclusion in India has increasingly been swayed in favour of restructuring the banking structure into one with multiple layers of differentiated institutions. The large universal banks are assumed to be inherently incapable of channelising financial resources to small enterprises and businesses in mutually viable ways. The experiences of developed countries seem to inform this vision. Several reports and consultation documents in the recent past have recommended the promotion of banking models that operate on a smaller scale and/or with private ownership and provided detailed guidelines for the design of such models[10]. These recommendations have led the central bank to formulate guidelines for licensing more private sector banks and two new classes of banks – small finance banks and payment banks. The mandate of the small banks (with minimum paid-up equity capital of Rs. 1 billion) is to provide savings vehicles mainly to the unserved and underserved population sections, and credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities. Provision of payments and/or remittance services to migrant workers, low income households, small businesses and other unorganised sector entities would form the primary

10 For instance, the report of the Raghuram Rajan Committee on *Financial Sector Reform,* 2009 (Planning Commission 2009); The RBI discussion paper 'Banking Structure in India - The Way Forward'2013; and the Nachiket Mor Committee on *Comprehensive Financial Services for Small Businesses and Low Income Households,* 2014 (RBI, 2014).

mandate of payment banks[11]. Both are expected to leverage technology to achieve business viability.

In 2000, the Ministry of MSMEs introduced the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme aimed at providing collateral-free credit up to Rs.10 million and there is no insistence on third-party guarantee as well. The guarantee cover for loans procured under the credit guarantee scheme is usually up to 75 to 80 per cent of the sanctioned amount and fixed at 80 per cent for women entrepreneurs and citizens living in North East India. As the rate of interest should not exceed 3 per cent over and above the PLR of the lender, this scheme is stated to be the best available facility to MSEs.

While through over 130 member lending institutions (or MFIs) as well as SIDBI, NSIC and NEDFI lending is possible almost anywhere in India, little systematic information is available as to who, how many and where are the beneficiary enterprises. In the absence of data on these an estimate puts the coverage at about 7-10 per cent of all MSEs. Despite all the hedging facilitations of possible losses of member lending institutions (MFIs), banks are still reluctant to admit loans under the CGTMSE scheme.

In 2014, two new private banks were given in-principle approval, one of which was a large MFI, Bandhan Financial Services. In August 2015 the RBI granted in-principle approval to 11 out of the 41 applicants to set up payment banks. The licensees include India Post, multi-business conglomerates, m-commerce, e-commerce and payment service providers and corporate banking agents. This was followed by granting approval in September 2015 to 10 applicants (out of 72) to establish small finance banks, eight of which are NBFC-MFIs, whose collective market share as of March 2015 was around 40 per cent. Thus, a new banking eco-system is being created in India, which expectedly, would channel increased credit flow to small economic players.[12]

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11 RBI, 'Guidelines for Licensing of "Small Finance Banks" in the Private Sector', November 27, 2014, https://rbidocs.rbi.org.in/rdocs/Content/PDFs/SMFGU271114.pdf; 'Guidelines for Licensing of "Payments Banks", November 27, 2014, https://rbidocs.rbi.org.in/rdocs/Content/PDFs/PAYMENT271114.pdf (both accessed on 14 August 2015).

12 The major challenge before these MFIs is that of equity. According to RBI norms, SFBs should have initial promoter stake of not less than 40 per cent (locked for five years) and domestic shareholding of minimum 51 per cent. Currently, foreign shareholding is very high in all the leading MFIs (Acharya, 2015).

5.2 MUDRA Bank Scheme

Even as such a system is taking shape, the Finance Minister of India announced setting up of a specialized institution -Micro Units Development and Refinance Agency (MUDRA) Bank –in the budget speech of 2015 with a corpus of Rs.200 billionand credit guarantee corpus of Rs. 30 billion[13]. Set up as a wholly owned subsidiary of SIDBI (paid up capital Rs. 7500 million), MUDRA's mandate is to develop and refinance (for loan limit up to Rs. 1 million) MSEs under a scheme, named Pradhan Mantri Mudra Yojana (PMMY) through partnerships with banks, MFIs and other financial institutions as also monitor the progress of PMMY.

Three different products are offered under PMMY– 'Shishu' (loans up to Rs. 50000);'Kishor'(loans Rs. 50001 – Rs. 500000), and 'Tarun' (Rs. 500001 to Rs. 1000000).Data available for 2015-16 show that loans amounting to Rs. 1330 billion has been disbursed under the scheme, 47 per cent of them with amounts lower than Rs. 50,000. Importantly, 92 per cent of loan accounts (32 million) are found in this category. The largest loan category accounts for about one percent of the enterprises supported (0.41 million), but a fifth of the loan amounts (Table 11).

Table 11: Distribution of PMMY Loans across Products: 2015-16

Size class of loan	Number of accounts	Amount disbursed (Rs.billion)	% share in total	
			Accounts	Amount
Up to Rs. 50000 (Shishu)	32401046	620.28	92.89	46.65
Rs. 50001 - Rs. 500000 (Kishor)	2069461	410.73	5.93	30.89
Rs. 500001 -Rs. 10000000 (Tarun)	410417	298.54	1.18	22.45
Total	34880924	1329.55	100	100

Source: www.mudra.gov.in

As evident from Table 12, public sector banks (including the State Bank of India and associates) have the largest share in loan disbursement under PMMY as in 2015-16. Microfinance institutions (MFIs), especially the ones licensed as non-bank financial institutions, come next with a share of 35 per cent. However, they account for 68 per cent of all loan accounts. The share of MFIs is particularly high in the small sized loans; overall they account for 73 per cent of all loans disbursed of Rs.50000 or less. Also, as high as 98 per cent of loans disbursed by MFIs has been in the above category with an average loan size being Rs. 19100 (ranging between Rs. 15000 and Rs. 29500). This is almost a fourth of the average loan size of banks.

[13] See, Budget 2015-2016 Speech of Arun Jaitley, Minister of Finance, February 28, 2015. Available at http://indiabudget.nic.in/budget2015-2016/bspeecha.asp

Table 12: PMMY Loans by Institutional Category: 2015-16

Financial Institution	Number of accounts	Amount disbursed (Rs.billion)	Share in accounts (%)	Share in amount (%)	Average loan size (Rs.)
MFI (NBFC)	23050447	440.26	66.08	33.11	19100
MFI (non-NBFC)	743980	18.78	2.13	1.41	25247
Public sector banks	5306988	391.27	15.21	29.43	73728
SBI & Associates	1300589	170.00	3.73	12.79	130709
Private sector banks	3067686	200.26	8.79	15.06	65279
Regional Rural Banks	1410787	108.76	4.04	8.18	77093
Foreign banks	447	0.21	0.00	0.02	477405
Total	34880924	1329.55	100	100	38117

Source: Same as Table 12.

Though the initial announcement by the government gave an impression that the MUDRA initiative would infuse additional funds into the cash-starved MSE sector, in just about a couple of years now, it is revealed that "Mudra loans are essentially a *re-categorisation* of those for SMEs up to Rs. 10 lakh. Any loan by a financial institution to an SME below Rs. 10 lakh is termed a Mudra loan" (Acharya, 2017: 8. Emphasis ours). Thus, the scheme as of now has ended up as a sheer window-dressing measure with no clear strategies to incentivise banks to enhance their loan supply to the sector. The involvement of MFIs in MSE financing may be seen as a positive aspect of the scheme. It must be noted, however, that the MFIs in India are more inclined to financing activities that generate regular and predictable income flows like retail trading, street vending, and job work. They, in general, have not demonstrated adequate skills in identifying and nurturing truly entrepreneurial micro ventures.

Parallel to these measures, the Ministry of Finance has been advocating universal financial inclusion of MSMEs driven by technology. The Committee set up to examine the financial architecture of the MSME sector by the Department of Financial Services, Ministry of Finance (2015) suggested that the financial architecture for MSMEs should encompass encouraging registration, opening of bank accounts, increased access to equity financing and receivables financing, and expanding and enhancing coverage of credit guarantee. It envisages the creation of an apex authority to oversee policy implementation in the MSME sphere.

It may be noted here that various central government ministries already have schemes that have financial assistance components to benefit the MSME sector. Apart from grants they also include credit insurance, venture finance and bill discounting (see Appendix Table 1[14]. While some of these schemes are innovative and can potentially

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[14] For instance, the Ministry of Finance, through SIDBI, offers refinance facility to scheduled banks (including state co-operative banks, urban co-operative banks, private sector banks, foreign banks, etc.) and select financial institutions for the amount equivalent to the outstanding portfolio

address the critical financial gaps in the sector, their implementation has always been a cause of concern. Also no comprehensive reports relating to their working are made available periodically. In fact, the fragmented efforts by multiple institutions have made it very difficult to assess their impact at the macro level.

6. Concluding Observations

Our analysis in this paper indicates slight improvement in the share of overall bank credit to the MSE sector over the past couple of years. However, this increase has largely to do with the rise in the share of services enterprises. Manufacturing enterprises continue to receive lesser share of bank credit despite the accentuated emphasis by the government on manufacturing. At the same time, loans from MFIs have been on the rise seemingly to finance micro service enterprises as indicated by their low average loan sizes. It may be noted here that the growth rate of manufacturing sector has not been keeping pace with the overall growth rate or that of the services sector for several years since the early 2000s (Roy, 2016). The crisis of growth in manufacturing could well be one of reasons why there was no perceptible increase in demand for credit in the post demonetization phase (starting since November 8, 2016) even as banks have faced a glut in deposits. Further, the rate of growth of credit remained in the negative region in 5 out of 11 weeks between end-April 2016 and mid-February 2017, suggesting a pre–demonetization setting in of lending fatigue on the part of banks, which opted to park significant part of their excess liquidity in government securities. Demonetisation seems to have intensified the appetite for investment in such instruments. Reports suggest that there was substantial increase in public sector banks' purchase of government securities between November and December 2016 - from Rs. 259 billion to Rs.610 billion[15]. In these conditions, the refinance arrangement for SME sector as envisaged in MUDRA may not produce any meaningful results in the near future.

What are the alternative options available to SMEs to access critical capital support to stay above competition in an increasingly open and globalized market? Recent reports point to a spurt in listing on the SME boards of the stock exchanges (Bombay Stock Exchange [BSE] and National Stock Exchange [NSE]) since 2014. As per industry

relating to loans and advances to units in the MSE sector. The outstanding in this scheme as on December 31, 2014 is Rs. 230.80 billion. It also offers special financial assistance to bridge the gap between bank loans (senior debt) and promoter's capital in the form of mezzanine or convertible instruments, subordinated debt or equity. Risk capital assistance is also provided by SIDBI to start-up or early stage enterprises as also to growth stage MSMEs. It has assisted about 400 MSMEs with aggregate risk capital assistance of Rs.10.21 billion.

15 Radhika Merwin, 'What has changed for banks post demonetization', http://www.thehindubusinessline.com/portfolio/whats-changed-for-banks-post-demonetisation/article9481534.ece

estimates, between 2014 and 2016, the number of SMEs listed on the bourse increased from 41 to 66 and funds raised from Rs. 3.15 billion to Rs.5.4 billion[16]. But this still constitutes barely about 0.125 per cent of the credit outstanding against MSEs.

Has the 'small' lost its beauty and relevance in a policy world increasingly characterised by grand dreams and superlative global ambitions? The MSEs characterised as they are by unviable scale, obsolete technology, supply chain inefficiencies, and unskilled workers are urged by the new policy paradigm to transform to innovative and globally competitive businesses. Lest they miss this moment – the moment that promises a great leap forward. What is perhaps forgotten is that the plight of Indian SMEs is a sheer reflection of the informal and fragmented economic and social framework within which they function. Reforming SMEs, hence, becomes part of the fundamental project of redrawing political strategies to address the structural infirmities in resource distribution and use. Financing and financial products would take newer and relevant *shape thereafter.

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16 'Remarkable Performance of SME Capital Markets in the Year 2016', https://gallery.mailchimp.com/2c04a4b648f1afa94ea8b81e2/files/Remarkable_Performance_of_SME_Capital_Markets_in_2016.pdf (Accessed 12 April 2017).

Appendix Table 1

Coverage of Fourth All India Census of MSME, 2006-07

<table>
<tr><td>Registered</td><td>Unregistered sector</td></tr>
<tr><td>Complete enumeration of

1. All manufacturing and service sector enterprises including retail, wholesale trade and hotels and restaurants registered up to 31.03.2007 with the following agencies complete enumeration
• District Industries Centres (DICs)
• Khadi and Village Industries Commission (KVIC)
• Coir Board

2. Industrial units having investment ranging from Rs. 0.1 to Rs. 100 million covered under section 2m(i) and 2m(ii) of the Factories Act 1948 of ASI and available with National Sample Survey Office, Ministry of Statistics and Programme Implementation (MOSPI) as on 31.03.2006</td><td>Sample survey

All non-agricultural enterprises eligible for registration/obtaining EM II as on 31.03.2007, but were not registered/not having filed EM II

Activities excluded in the Sample Survey, and for which data was obtained from Economic Census 2005estimates (Central Statistics Office (CSO) of MOSPI
• Retail / Wholesale Trade
• Establishment
• General Merchandise Stores
• Sale Outlets for industrial
• components
• Legal Services
• Educational Services
• Social Services
• Hotels & Restaurants
• Transport
• Storage & Warehousing (except
• Cold Storage)</td></tr>
</table>

Source: Development Commissioner (MSME) (2011).
Note: EM II refers to part 2 of the Entrepreneur's Memorandum to be submitted to the DICs after commencing production.

Appendix Table 2

Central Government Schemes Having Components of Financial Assistance to MSMEs

Ministry of MSME	
Development Commissioner (DC-MSME) Schemes	The Credit Guarantee Scheme (Credit Guarantee Fund Trust for Micro and Small Enterprises or CGTMSE) Credit Linked Capital Subsidy for Technology Upgradation ISO 9000/ISO 14001 Certification Reimbursement Micro & Small Enterprises Cluster Development Programme Micro Finance Programme
National Small Industries Corporation (NSIC)	Performance and Credit Rating Bank Credit Facilitation Bill Discounting
Ministry of Agriculture – Small Farmers' Agribusiness Consortium	Equity Grant and Credit Guarantee Fund Scheme for Farmer Producer Companies
Ministry of Commerce and Industry	Exporter Credit Insurance
Ministry of Finance	
Small Industry Development Bank (SIDBI)	Growth Capital and Equity Assistance Refinance for Small Road Transport Operators General Refinance Refinance for Textile Industry under Technology Upgradation Fund Composite Loan Rehabilitation of Sick Industrial Units Bills Re-Discounting
National Bank for Agriculture and Rural Development (NABARD)	Refinance to banks for loans extended to self-help groups (SHGs)/ joint liability groups (SHGs) Dairy Venture Capital Fund Poultry Venture Capital Fund
Ministry of Rural Development	Aajeevika (National Rural Livelihoods Mission)
Ministry of Tribal Affairs - National Scheduled Tribes Finance & Development Corporation	Micro Credit (MCS) for Self Help Groups (SHGs)

Source: msme.gov.in/

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