National Workshop on

Understanding Criticality of Flow of Funds for Robust Growth of MSMEs

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13th August 2018

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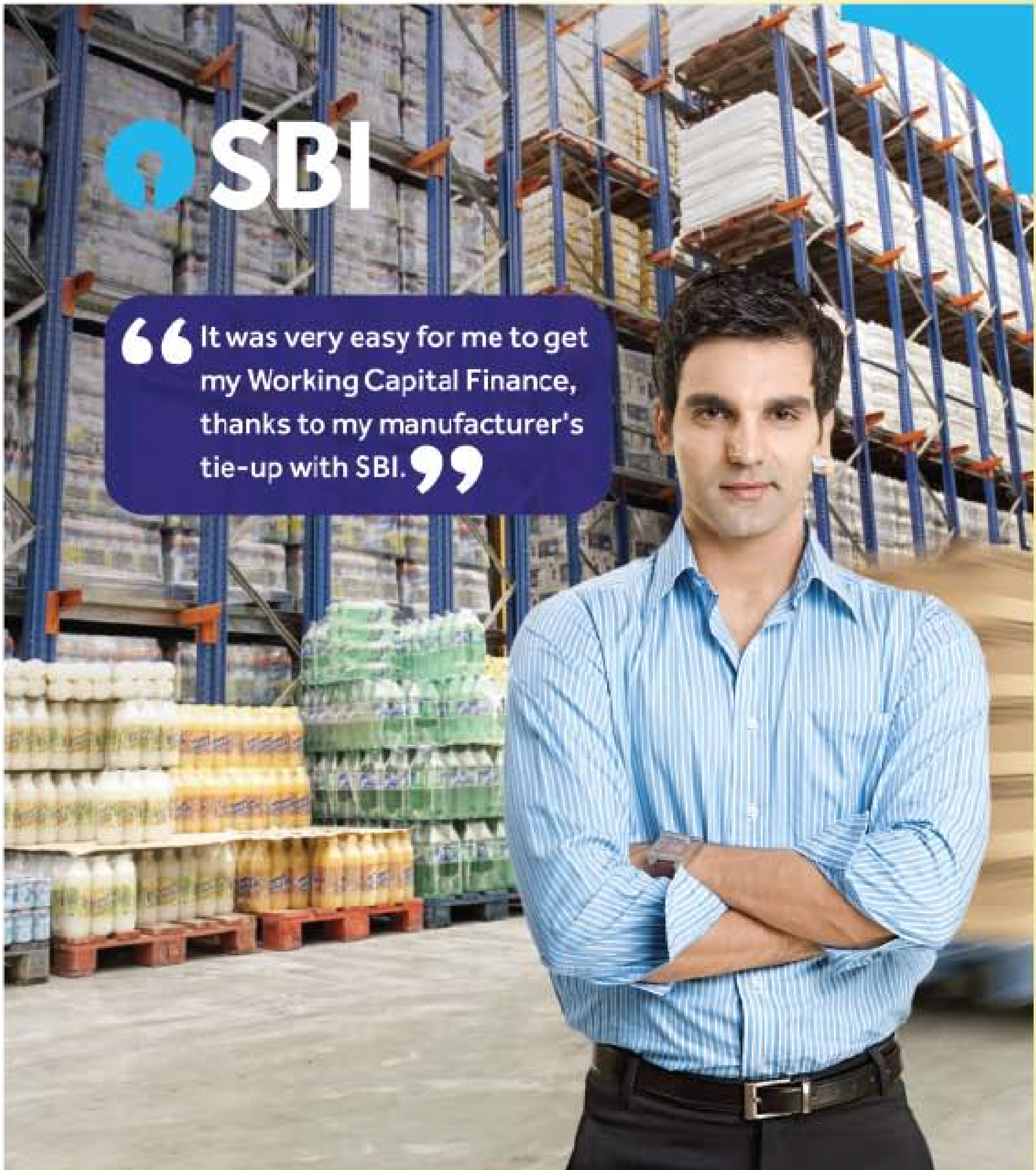

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Concept Note on

Understanding Criticality of Flow of Funds for Robust Growth of MSMEs

Introduction

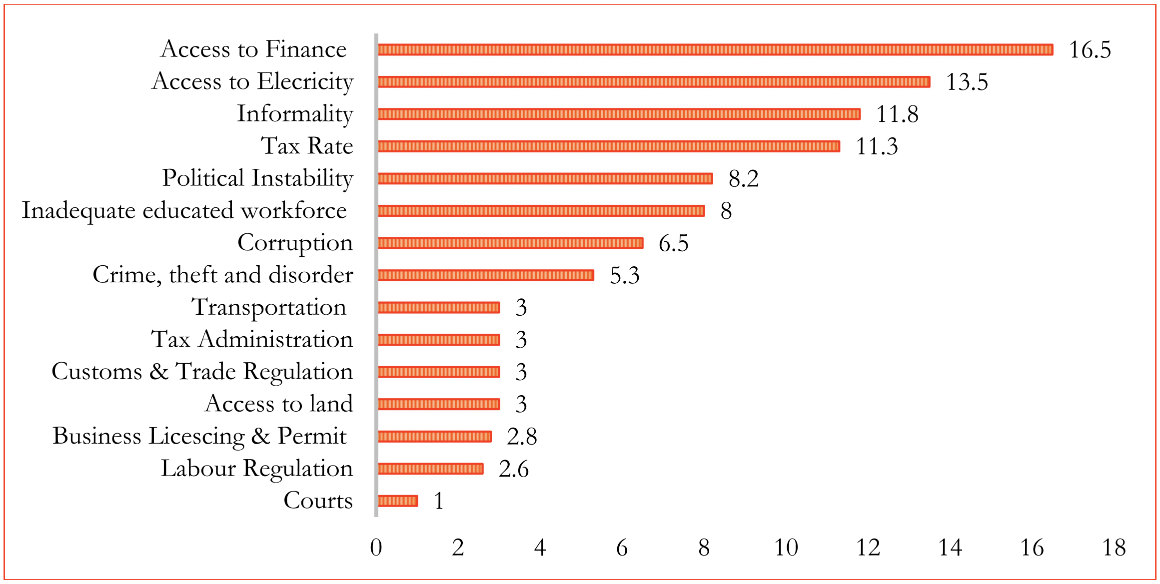
A robust MSME (Micro, Small and Medium Enterprise) sector is essential to achieve sustained economic growth in India. It not only provides employment opportunities to low skilled workers, but also absorbs surplus labour from the agricultural sector.[1] MSMEs, in general, being local-centric business ventures, have the potential to generate growth impulses at the regional level and ultimately influence growth at the national level. With the overall increase in the labour force and shrinking scope of employment in the agricultural sector, importance of MSMEs cannot be undermined in India.

India's MSME sector, in general, is known to face several problems which inter alia include inadequate access to financial resources, little or no access to technology, access to raw materials, availability of trained or skilled manpower and difficulties in marketing the output etc. However, the coverage of the sector is so wide that problems faced by different classes of enterprises could be quite varied. At one extreme are the medium enterprises and on the other extreme are the micro enterprises. Those which are tied up with large Indian and global enterprises for technology and marketing support may be better off than the rest and may also be in an advantageous position in terms of getting finance. Small and medium enterprises who are in direct competition with domestic large and multinational companies would not have such benefit. On the other hand, the issues facing service enterprises would be different from those confronting the manufacturing sector.

Going by the report "Small and medium sized enterprises and decent and productive employment creation" presented as agenda item in the International Labour Conference, 104th Session, 2015, there were 420 to 510 million SMEs worldwide, of which only nine per cent are formal SMEs (excluding micro-enterprises) and 80-95 per cent are in low- and middle income countries. A large number of enterprises being in the informal sector is one of the critical reasons for various constraints the sector faces. According to data from the World Bank Group Enterprise Survey, access to finance tops the list of constraints faced by SMEs, with 16 per cent expressing it as the biggest obstacle across countries (Figure-1).

1 Ayandibu and Houghton, 2017.

Figure-1: Major Constraints Faced by SMEs



Source: International Labour Conference, 104th Session, 2015 (IFC job study 2013)

A large part of the sector being un-organised, the questions that arise are: (i) how to provide funding to the sector; and (ii) how to ensure proper utilization of funds so provided.

The MSME Sector in India: An Overview

As per the National Sample Survey (NSS) 73rd round, the number of unincorporated non-agricultural enterprises in manufacturing, trade and other services Sectors (excluding construction) is estimated to be 633.92 lakh. Only 4,000 enterprises of these were large.[2] Out of the 633.88 lakh MSMEs in India, about 70 percent are in the Services sector, out of which 36 per cent are into trading activities (Table-1). About one third of the MSMEs

Table-1: Estimated Number of MSMEs and Employees (Broad Activity-wise): 2015-16

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)	Employment (in lakh)			Share (%)
	Rural	Urban	Total		Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31	186.56	173.86	360.41	32
Trade	108.71	121.64	230.35	36	160.64	226.54	387.18	35
Other Services	102.00	104.85	206.85	33	150.53	211.69	362.22	33
Electricity	0.03	0.01	0.03	0	0.06	0.02	0.07	0
All	324.88	309.00	633.88	100	497.78	612.10	1109.89	100

* National Sample Survey (NSS), 73rd round.
Source: Government of India, MSME Annual Report 2017-18.

2 (MSME Annual Report, 2017-18)

are in the manufacturing sector. Though MSMEs are slightly more in rural areas, in general, they are spread almost equally between rural and urban areas. Out of the 633.88 lakh MSMEs, 324.88 lakh are in rural areas and 309.00 lakh are in urban areas. Out of total 1,109.89 lakh estimated employees, 497.78 lakhs are located in rural areas and 612.10 lakh are urban MSMEs.

Financial Resources and MSMEs

The contribution of manufacturing MSMEs to the country's manufacturing gross value of output at current prices has been about one-third during the last five years.[3] Data available with the Central Statistics Office, Ministry of Statistics & Programme Implementation, reveal that the contribution of MSME Sector to the country's Gross Value Added (GVA) and Gross Domestic Product (GDP) has been substantial (Table-2). In 2015-16, share of the MSME sector stood at 31.60 per cent and 28.11 per cent respectively in GVA and GDP respectively. Further, the sector had a share of about 45 per cent of the manufacturing output and 40 per cent of the total exports from India.[4]

Table-2: Share of MSMEs in total GVA/GDP

(Figures in Rs. Crore*)

Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	25,83,263	-	81,06,946	31.86	87,36,329	29.57
2012-13	29,77,623	25.27	92,02,692	32.36	99,44,013	29.94
2013-14	33,43,009	12.27	1,03,63,153	32.26	112,33,522	29.76
2014-15	36,58,196	9.43	1,14,81,794	31.86	124,45,128	29.39
2015-16	39,36,788	7.62	1,24,58,642	31.60	136,82,035	28.11

* Adjusted for Financial Intermediation Services Indirectly Measured (FISIM) at current prices.
Source: MSME Annual Report 2017-18 with source reference of Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation.

During the years ending in March 2016 and 2017, total outstanding bank credit (advance) to the MSME sector posted by Scheduled Commercial Banks was Rs. 4,86,300 crore and Rs. 4,74,500 crore, respectively. The fact remains that while the ratio of total bank credit by SCBs to GDP for the years 2014-15 and 2015-16 works out 62.87 per cent and 64.10 per cent respectively, the corresponding shares of credit to industries was 40.14 per cent and 37.43 per cent. In case of the MSME sector, the shares were 7.62 per cent and 5.29

3 Economic Survey 2017-18 reports that "the share of MSME Sector in the country's Gross Value Added (GVA) is approximately 32 per cent. MSMEs in India plays a crucial role in providing large-scale employment opportunities at comparatively lower capital cost than large industries and also in industrialisation of rural and backward areas.

4 Planning Commission, 2012.

per cent only (Table-3). Obviously, these are far too small compared to the sector's share in either GDP (28.11 per cent) or GVA (31.60 per cent) for the year 2015-16.

During the corresponding year, the sector could mobilise only Rs. 1,059 and Rs. 1,887 crore from the stock market. The gap in financial resources seriously limits the sector's growth. As the sector creates jobs both in rural and urban areas, deficit in financial support may not only be a hindrance to growth of the sector, it is will also hamper employment creation. Also important are the business opportunities the financial institutions will be losing in terms of direct business from the MSME sector and the opportunities attached to sub-sectors such as retail and investment /portfolio management etc.

Table-3: Relative Shares of Credit to MSMEs

Data Category	Unit	2014-15	2015-16
GDP adjusted for FISIM* at current prices	Crore	1,24,45,128	1,36,82,035
GVP at current market price	Crore	1,14,81,794	1,24,58,642
Bank Credit of all SCBs	Crore	66,20,072	72,95,591
Percentage of credit to GDP	%	62.87	64.10
Flow of Credit to Industries	Crore	26,57,627	27,30,777
Percentage of credit to industries to bank credit of all SCBs	%	40.14	37.43
Flow of Credit to MSMEs	Crore	5,04,564	3,86,288
Percentage of credit to MSMEs to bank credit of all SCBs	%	7.62	5.29

* Financial Intermediation Services Indirectly Measured (FISIM).

Complexities of MSME Financing in India

A 2014 SME Survey finds that unavailability of finance at reasonable cost continues to be the single most constraining factor in the growth of SMEs in India. Enterprises located in the Tier-2 cities in India reported that access to finance is far more challenging for them compared to their counterparts located in the Tier-1 cities (Firstbiz Indian SME Survey 2014). Global experience too suggests that out of many problems, lack of access to formal finance remains the major constraining factor that limits the growth of the MSME sector. According to the International Finance Corporation, out of the estimated Rs 32.5 lakh crore demand for finance by the MSME sector in India, informal sources and self-finance together contributed as much as 78 per cent. The remaining 22 per cent came from formal sources. While banks and NBFCs were the main sources of formal finance, the share of Scheduled Commercial Banks was overwhelmingly large at 85 per cent. The remaining was shared by a variety of lenders like the NBFCs, Regional Rural Banks, Urban Co-operative Banks and Government Financial Institutions (SFCs and SIDCs).

Informal financing has its own limitations and thus would restrict the growth of the enterprises. On the other hand, formal financing being only 22 per cent, the sector offers huge opportunity for the banking sector. However, it also poses several challenges. From the banks' perspective, key factors that adversely affect their decision to lend to the MSME sector are the following;

- High Transaction Costs: The small size of the MSMEs (hence the relatively small size of the loan amounts) results in high transaction cost for the lenders.
- Lack of experience: Majority of the SMEs are started by first generation entrepreneurs. Thus, their marketing and business skills are not tested and not assessable beforehand for credit appraisal.
- Nil or Insufficient Collateral: Given the size of the MSMEs which is small and having low asset base, banks will find it difficult to take risk.
- Absence of Credit Rating: Due to a combination of factors, especially their not having already availed institutional finance, many MSMEs will have no credit history. Again, banks cannot be guided by reliable parameters.

Similarly, from the MSME's perspective, there are key factors that restrict them from accessing institutional finance. In a way, some of them are mirror reflection of the constraints faced by the lenders.

- Inadequate credit: An MSME passes through different stages during its life span -- the initial stage, stabilization, expansion and graduation to the next stage. Accordingly, it would require combinations of risk capital, working capital and long term debt finance. Unavailability of adequate amount of credit at the time of need is a major limiting factor.
- High Cost of Capital: It has been seen that during the post-reform period, the interest cost on small value loans has been generally high. In the absence of adequate collaterals and enough experience in running the business, banks tend to change higher rate of interest to compensate for the greater risk. Also, in the absence of adequate bank credit, MSMEs tend to seek other forms of credit, including NBFCs which cost them even higher.
- Limited access to Equity Capital: Very few established firms have access to equity capital.

i) Bank Credit to the MSME Sector

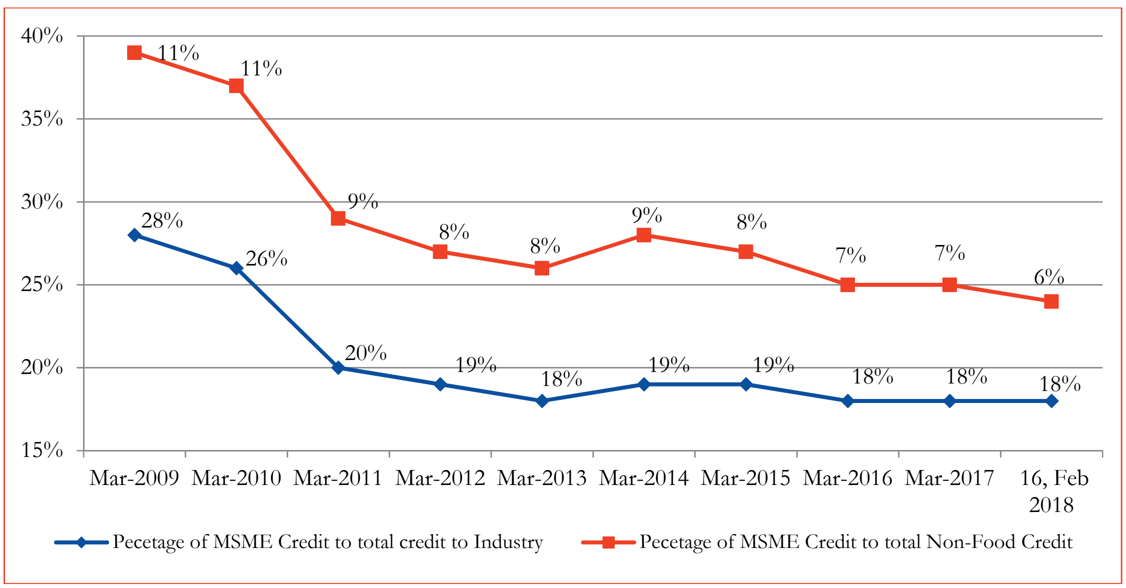
Out of the total outstanding credit to industries which includes MSMEs and large industries, share of credit to the MSME sector is found to be very small (Figure-2). Its share in total outstanding credit to industries has remained below 20 per cent after March 2011 (Table-4, Figure-2). When compared with total outstanding credit, only 6.20 per cent of total non-food credit went to the MSME sector in 2017-18. In fact,

Table-4: Percentage of MSME to Total Bank Credit to Industry and Non-Food Credit

(Amount in Rs. Billion)

Sector	**Mar-2011**	**Mar-2012**	**Mar-2013**	**Mar-2014**	**Mar-2015**	**Mar-2016**	**Mar-2017**	**Mar-2018**
Total Non-food Credit	36,674	42,897	48,696	55,296	60,030	65,469	70,947	76,884
YOY growth (%)		16.97	13.52	13.55	8.56	9.06	8.37	8.37
Industry (Micro & Small, Medium & Large)	16,046	19,373	22,302	25,165	26,576	27,307	26,800	26,993
YOY growth (%)		20.73	15.12	12.84	5.61	2.75	-1.86	0.72
Micro & Small	2,102	2,367	2,843	3,482	3,800	3,715	3,697	3,730
Medium	1,165	1,248	1,247	1,241	1,245	1,148	1,048	1,037
Total Credit to MSME	3,267	3,615	4,090	4,723	5,045	4,863	4,745	4,767
YOY growth (%)		10.65	13.14	15.48	6.82	-3.61	-2.43	0.46
Percentage of credit to Industries to total non-food credit (%)	43.75	45.16	45.80	45.51	44.27	41.71	37.77	35.11
Percentage of MSME Credit to total credit to Industry (%)	20.36	18.66	18.34	18.77	18.98	17.81	17.71	17.66
Percentage of MSME Credit to total Non-Food Credit (%)	8.91	8.43	8.40	8.54	8.40	7.43	6.69	6.20

Figure-2: Share of MSMEs in Total Credit to Industries and Non-Food Credit



the share kept on falling after 2013-14. It is also a fact that, due to several problems related to stress assets in the large industries segment, growth of credit to the large industries has contracted severely. Because of which share of credit to the MSME sector to total credit to industries has marginally improved. In terms of growth, credit to the MSME sector recorded 10.65, 13.14 and 15.48 per cent for the financial years ended March 2012, March 2013 and March 2014, respectively. However, it decelerated sharply to 6.82 per cent in 2015 and became negative at -3.61 per cent -2.43 per cent during the financials year ended in March 2016 and March 2017, respectively. This decline in the quantum should be a matter of serious concern, especially for the Medium sector enterprises.

The growth in credit flow to industries was 20.73 per cent in 2011-2012, it decelerated fast and actually became negative in 2016-2017 (-1.86 per cent). Though the flow improved marginally in 2017-18, the credit gap is considered substantial. It would be necessary to study the movement of funds under each segment of the industrial sector and identify the opportunities available and challenges facing these sectors in respect of credit flow.

ii) Budgetary Support to the Sector

The MSME sector was presented as a major source of economic growth and employment in the Union Budget, 2018-19. Rs.3,794 crore was provided towards credit support, capital and interest subsidy and innovations. Use of big database for improving financing of MSMEs' capital and working capital requirements is another step proposed to promote the sector with various Government initiatives. It was also proposed that Public Sector Banks and corporates will be brought into the Trade Electronic Receivable Discounting System (TRsDS) platform on-board and linked with GSTN. On-line loan sanctioning facilities for MSMEs to be revamped for prompt decision making by the banks.

In order to accelerate lending under the sector, a target of Rs. 3 lakh crore for lending under MUDRA for 2018-19 has been set up by the Government. Besides, to improve financing of MSMEs, the refinancing policy and eligibility criteria set by MUDRA may be reviewed for better refinancing of NBFCs. Venture capital funds and angel investors may be encouraged as alternate investment sources.

It was also announced in the budget that the Government will contribute 12 per cent of the wages of the new employees in the EPF for all the sectors for next three years and the facility of fixed term employment will be extended to all sectors.

The Government had approved a comprehensive textile sector package of Rs. 6,000 crore in 2016 to boost the apparel and made-up segments. An outlay of Rs. 7,148 crore for the textile sector was provided for the year 2018-19.

The Union Budget for the year 2018-19 made a provision of Rs. 2,908 crore Gross Budgetary Support, which includes Rs. 1,260 crore under the scheme PMEGP with physical target of 49,000 projects and 2,94,000 employment and Rs. 1,648 Crore for other schemes of MSME.

iii) Capital Market Support to the Sector

Capital Market is one of the sources for financial support to the MSME sector. During 2011, the Securities and Exchange Board of India (SEBI) launched the SME platform to allow small and medium enterprises to raise capital from the capital market. Subsequently, in the year 2012, first ever SME IPO was floated on BSE SME exchange. As on July 11, 2018, the market capitalisation of the SMEs listed at the BSE stood at Rs. 19,550.96 crore, with only 203 listed companies (Table-5). These 203 listed SMEs have raised only Rs. 2,406.14 crore from the capital market. However, it is too small an amount to meet the financial requirements of the sector.

Table-5: An Overview of BSE SME: Stock Market Participation to the Sector

No. of Companies listed on BSE SME till July 11, 2018	253
Market cap of Cos. Listed on SME (Rs. in crore)	19,550.96
Total amount of money raised (Rs. in crore)	2,406.14
No. of companies migrated to Main Board	50
No of companied listed till April 19, 2018	203
No. of companies suspended	4
No. of companies eligible for trading	199
No. of companies traded	27
Market cap of BSE SME Listed Cos. (Rs. in crore)	11,040.59

Source: BSE SME – Market Watch

In order to ensure wider participation of the small companies, some of the conditions such as net-worth of minimum Rs. 3.00 crore as per the latest audited balance sheet, the company must have track-record of distributing profit (excluding extraordinary income) for at least two years out of immediate preceding three years, minimum number of investors and the conditions of the issue to be underwritten with participation of Merchant Bankers may need to be revisited.

Can an 'Alternative Investment Market' (AIM) on the lines of London Stock Exchange be thought of? The AIM is considered to be the most successful market in the world. It was formed to help smaller and growing companies in raising capital for expansion. Since its launch in 1995, over 3,000 companies across the world have chosen to join the AIM.

Key Questions

As access to finance being a major concern of the MSME sector, the characteristics and complexities of the sector have to be understood so that appropriate solutions can be identified. Given the nature of the sector 'one size fits all' approach will not work.

I. Some of the key aspects that need be looked into are:

a) Financial Support: Availability of adequate and timely credit. Three components of the MSME sector *viz*. Micro, Small and Medium enterprises will have different approaches for growth so will be their need for financial support.

b) Credit Cost: High cost of credit compared to credit available to the large industries with similar terms of sanction, including collateral coverage requirement for credit exposure.

c) Cluster Finance Approach: Would it reduce transaction costs besides offering various other benefits including timely finance.

d) Credit Rating: Ratings given to MSMEs are considered to be comparatively low compared to the ratings assigned to the large industries by rating agencies within the same conditions and environment. As a result, cost of finance tends to be comparatively high for the MSMEs.

e) Accounting & Finances: Entrepreneurs have a tendency and unwillingness to understand various nuances of accounting and financial practices. Transactions in cash could be a preferred practice to avoid assessment of tax. This again hinders assessment of their viability be the lenders.

f) Bankers' Perspective: Poor repaying capacity of entrepreneurs and ever increasing relative share of stressed assets are the twin problems of this sector. Interestingly, at the same time, going by their books, Non-Banking Financial Companies and several Micro Finance Institutions are reportedly doing better in terms of lending to the MSME sector. What can bankers learn from NBFCs? Is their model suitable for the banks?

g) Access to Capital Market: Popularising SME exchanges may bring boom in the market in terms of both direct and indirect benefits. However, given the nature and size of the sector how relevant can it be for a vast majority of the constituents of the sector is something that needs to be discussed.

h) Budgetary Support: Again, given the size of the sector, whether it will be adequate to meet the requirements of the sector.

II. The second set of issues could be:

a) Business Environment: Are the business environment and market conditions encouraging for private equity investment.

b) Infrastructure: Besides availability of cost effective storage, packaging facilities inadequate infrastructure facilities such as power, transport, water etc. is another area of concern.

c) Technical Skills: Most MSME entrepreneurs possess very limited technology awareness and exhibit little interest and near zero initiative to understand technological support. How can lenders co-ordinate with institutions which offer skill development programmes and do matchmaking with technology providers/developers?

d) Raw Materials: Setting up units without any proper market study and analysis causing marketing impediments.

e) Change is inevitable, yet MSME entrepreneurs are not prepared for any kind of diversification, changes in the product designs to match with the ever-changing market demand.

f) Industry Associations: The associations can play a very effective role in resolving various issues including finance, administrative and regulatory clearances.

g) Which of the points mentioned above lead to improper/inefficient utilization of finance granted to MSME beneficiaries and which hurt the interests of the lenders on one hand and have an adverse impact in the overall growth and development of the sector.

Other Challenges and Opportunities

Despite access to credit, the MSME sector is facing several other challenges. Within the MSME sector, the number of unregistered units is much larger than the registered units. According to the 4th All India Census Survey 2006-07, nearly 29 per cent of total MSMEs were sick. The major problems of sickness are lack of demand (41.94 per cent), shortage of working capital (20 per cent), marketing problems (11.48 per cent), management problems (6.46 per cent), power shortage (5.71 per cent), labour problems (5.61 per cent), non-availability of raw material (5.11 per cent), and equipment problems (3.17 per cent). Food products and beverages (17.73 per cent), apparel (10.23 per cent), textiles (9.11 per cent) were the top three industries that suffered from sickness. Share of closed enterprises at the national level was about 22 per cent of the total registered enterprises. With globalisation, competition from global and domestic large firms has emerged as another major challenge to the sector.

The other related issues that could be studied concomitantly which could help in the assessment of the prospects of the sector better including by the lending agencies are as follows.

i) MSMEs Clusters in India: Challenges and Opportunities

Evidences from many countries suggests that joint action is more likely when enterprises operate in proximity and share business interests such as markets for products, infrastructure needs or challenging external competition (UNIDO, 2001). The joint initiative of firms in such groups, termed as clusters[5], is stronger in comparison to a firm operating in isolation. It is more cost-effective due to shared fixed costs and easier to coordinate, with proximity fostering mutual knowledge and trust. There are examples of successful MSMEs clusters in the world – e.g. Italy, Germany, Japan, France, United States, Pakistan, India, Brazil, Chile and Mexico.

As per UNIDO survey and Ministry of MSME[6], there are 388 MSMEs clusters along with 1658 rural and artisan-based clusters in India. Tirupur (Tamil Nadu) hosts a cluster of more than 7000 MSMEs which produces cotton hosiery. Knitwear cluster of Ludhiana, Gems and Jewellery clusters of Surat and Mumbai, and leather clusters of Chennai, Agra and Kolkata, Paithani sarees cluster in Maharashtra are other examples of successful clusters in India. Despite a few successful examples, the majority of MSMEs clusters in India face constraints like technological obsolescence, poor product quality, information deficiencies, inadequate market system, lack of financial resources and poor management system. Therefore, there is a need to understand the major factors affecting the performance of clusters of MSMEs in India, challenges and opportunities and to identify appropriate solutions to the constraints and problems faced by MSMEs.

ii) Impact of GST on MSMEs

The Government introduced Goods and Services Tax (GST) since July 01, 2017 as a measure of tax reforms. Though theoretically, it has potential to reduce the tax burden on consumers and also formalization of informal sector, it might have affected the functioning of MSMEs (both registered and unregistered). In general, the owners and employees of informal sector enterprises and most of the registered MSMEs are less skilled and less educated. Therefore, it will increase the running cost of MSMEs, in the short and medium term, if not in the long run. Further, different firms adopt different coping strategies for the new tax regime – GST, which might have affected their performance in the short term. Therefore, it is also pertinent to study the coping

5 UNIDO defines clusters as sectoral and geographical concentrations of enterprises that produce and sell a range of related or complementary products and, thus, face common challenges and opportunities.

6 These figures are based on a UNIDO survey of Indian SSI clusters undertaken in 1996 (later updated in 1998).

strategies adopted by MSMEs in GST Regime and the impact of GST on the functioning and performance of MSMEs.

iii) SMEs' Participation in the Global Value Chains: Emerging Issues and Challenges

With the rapid globalisation in the last three decades, there has been an enormous change in the production and trading systems across the world which have come to be gradually known and recognised as 'Global Production Networks'. The emergence of this phenomenon has caused increasing differences between the levels of development in GVC Participating and Non-Participating countries. This is why the thrust for emerging countries like India is to develop and strengthen not only its manufacturing base but also to actively participate in the Global Value Chains in which SMEs can play a very vital role. Various studies have shown that linkages of SMEs with the large globally connected firms exposes them to large customer base as well as opportunities to learn from large firms which enable them to gain in terms of their enhanced productivity levels and economies of scale, adoption of innovative practices to sustain themselves in the long run, spill-over effect of technology and managerial know-how and broadening and deepening of the skill-set.

There are two ways in which SMEs can be linked to the global economy- first, by direct participation (as exporters themselves) and second by indirect participation (by being importers of foreign inputs and technologies or suppliers to large exporter firms). Studies have shown that the indirect participation of SMEs in global trade is more beneficial for the growth of SMEs as compared to the former one; hence GVCs provide considerable opportunities for uplifting the SME sector from lower growth trajectories towards becoming global lead firms. The benefits of this participation depend upon:

a) Nature of inter-firm linkages (which type of Value Chain and Value Chain Governance they are situated into?),
b) Position/location in a particular GPN network (what is their Location on the Smile Curve?) and
c) Role of trade agreements at various regional levels (what sort of trade barriers SMEs face?).

It is also being observed that SMEs are primarily located at the lowest value added point in the chain which results into (a) Weak bargaining power, (b) Sustainability threats and (c) Low remuneration which in turn poses constraints in upgrading along the GVC Network. This is associated to various internal factors (Innovation, Technology Adoption and Managerial Skills) and external factors (Access to Finance, Access to Information, Bottlenecks in Infrastructure, Location Issues and Intellectual Property Rights) which duly need to be addressed.

In case of Indian SMEs, some of the bottlenecks, which restrict their gainful participation with the GVC networks pertain to:

a) Entry Level (limited access to information and communication channels);
b) Operational Level (access to Resources, hurdles in complying with international labour, environmental and quality standards, poor management and financial reporting practices, lack of Working Capital); and
c) Upgradation along the Value Chain (constrained investment in R&D activities, weak bargaining power and inefficient capacity to gain through technological spill-over effects).

These issues need to be addressed on a priority basis so as that the Indian SME sector achieves growth in the coming years.

What Do We Propose to Discuss in the Workshop?

The MSME sector is facing several challenges, access to finance being a major one, for its growth and development. The principal objective of the study is to understand the criticality of flow of funds for growth of MSMEs in the current national and global context and to provide insights to the banks/financial institutions, policy makers as how to address the identified gaps to bring the sector on the path of inclusive growth.

The proposed One-Day Workshop will discuss the existing gaps in overall growth and development of the sector and seek views to address the challenges and opportunities in three technical sessions.

In the forenoon Session, the following topics will be taken up for discussion:

i) Complexities of providing finance to the MSME Sector.
ii) Factors that are affecting accessibility to finance;
iii) Pattern of utilisation of funds;

In the afternoon, there will be a Round Table Discussion covering the following aspects.

i) MSME Clusters in India: Challenges and opportunities;
ii) Employment, Productivity and Export Competitiveness of MSMEs;
iii) Government Schemes for MSMEs: Implementation and Effectiveness;
iv) Impact of GST on MSMEs;
v) SMEs' participation in Global Value Chain: Emerging issues and challenges; and
vi) Constraints the sector is facing in the context of Globalization of Indian economy.

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The Institute for Studies in Industrial Development (ISID), successor to the Corporate Studies Group (CSG), is a national-level policy research organization in the public domain and is affiliated to the Indian Council of Social Science Research (ICSSR). Developing on the initial strength of studying India's industrial regulations, ISID has gained varied expertise in the analysis of the issues thrown up by the changing policy environment. The Institute's research and academic activities are organized under the following broad thematic areas:

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Corporate Sector: Ownership and control, finance and governance, financial institutions, company law, securities legislation, regulatory bodies, M&As, business groups, public enterprises, public-private partnership, business ethics, CSR, etc.

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4, Institutional Area Phase II, Vasant Kunj, New Delhi - 110 070
Phone: +91 11 2676 4600 / 2689 1111; Fax: +91 11 2612 2448
E-mail: info@isid.org.in; Website: http://isid.org.in