

## **Anand Sinha: Small is still beautiful and competitive – reflections on the growth of Micro, Small and Medium Enterprises (MSMEs) in India**

Address by Mr Anand Sinha, Deputy Governor of the Reserve Bank of India, at the National Conference on “Enhancing Competitiveness with MSME linkages”, organised by the Indian Chamber of Commerce, Kolkata, 12 July 2012.

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Mr. Partha Chatterjee, Hon’ble Minister in Charge, Department of Commerce and Industries, Government of West Bengal, Dr. Manas Ranjan Bhunia, Hon’ble Minister in Charge, Department of Micro and Small Scale Enterprises and Textiles, Government of West Bengal, Dr. Rajeev Singh, Director General, Indian Chamber of Commerce, Kolkata, and other distinguished invitees. I am indeed happy to be a part of this national conference.

This conference is very timely for several reasons. First, macroeconomic and financial stability is being pursued all over the world including India, following the Global Financial Crisis. Recovery from recessions following financial crises takes much longer due to the overhang of debt because high leverage is almost invariably the cause of all the financial crises. Hence, the pace of recovery from the current crisis is very slow and uncertain. In this scenario, a strengthened and more resilient Micro, Small and Medium Enterprises (MSME) sector would aid in economic recovery and add greater stability to the system. Second, inclusive growth is being accorded very high priority and is being assiduously pursued by the policy makers through financial inclusion, financial literacy and consumer protection initiatives. MSMEs are not only envisaged to be major beneficiaries of these efforts but are also expected to facilitate financial inclusion from the demand side. Third, the deterioration in trade balance of the country requires urgent focus on exports. MSMEs have a critical role to play in enhancing our export competitiveness given their very significant share in exports.

Several initiatives were taken over the years, by the Government of India and the Reserve Bank to enable the growth of MSMEs in recognition of their role in the overall development of the economy. I would classify these measures into three broad categories – institutional measures, policy support measures and measures enabling monitoring of the performance. Creation of institutions such as Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD), Export Import Bank of India (EXIM Bank), State Finance Corporation (SFC)s, State Industrial Development Corporation (SIDC)s, National Small Industries Corporation (NSIC), etc. has enabled necessary institutional support to MSMEs for meeting their credit needs. Inclusion of credit to MSMEs as part of the priority sector lending, policy package for stepping up credit flow to the SME sector in 2005, revised Credit Guarantee Scheme for the Micro and Small enterprises (MSEs), Performance and Credit Rating Scheme for the manufacturing MSEs, MSE Cluster Development Programme and financial inclusion policies in the more recent past, have created the enabling policies for growth of MSMEs. Monitoring of credit flow to MSMEs from banks through off-site returns, onsite inspections and in fora such as SLBC etc. has put in place a strong monitoring mechanism to ensure increased flow of credit to MSMEs.

During 2011–12, the Government of India has taken a number of measures to revitalize the MSME sector such as (i) approval of the public procurement policy that envisages procurement of a minimum of 20% of annual purchases of goods and services from Micro and Small enterprises by the Central Ministries/Departments/PSUs, which includes 4% (20% of 20%) procurement from Micro and Small Enterprises owned by scheduled caste/scheduled tribe (SC/ST) entrepreneurs (ii) permission to set up stock exchange/trading platform for SMEs by recognized stock exchanges (iii) conducting skill development

programmes for 4.78 lakh persons in 2011–12 (with a target of increasing it to 5.72 lakh persons for 2012–13) for development of self employment opportunities as well as wage employment opportunities in the country and (iv) adoption of cluster approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of MSEs in the country.

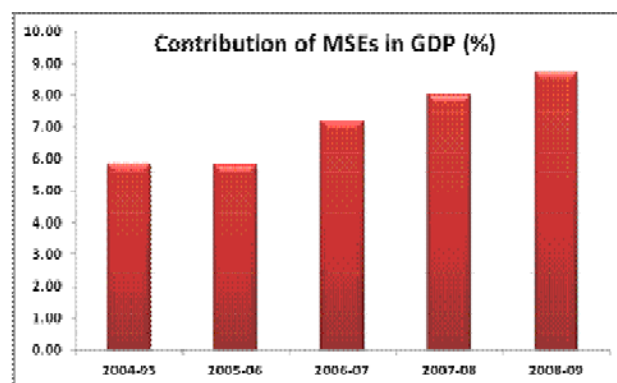
The above measures have, certainly, provided an enabling environment and have facilitated the growth of MSMEs. I, however, believe that we have, so far, realized only a very small proportion of the vast potential of MSMEs. The latent and untapped potential of MSMEs, if nurtured properly, could well contribute to greater employment generation and higher economic growth of the country.

Let me, therefore, focus the rest of my talk on the role of MSMEs in our economic development, issues in their development, policy response and the future agenda.

## I. Significance of the MSMEs

I cannot over-emphasise the importance of MSMEs. Way back in 1973, British economist E. F. Schumacher in his award winning book, “**Small Is Beautiful: Economics As If People Mattered**” advanced the argument that it is the small and appropriate technologies that empower people more. The Economic Survey, 2011–12 has stated “*MSME is a dynamic and vibrant sector that nurtures entrepreneurial talent besides meeting social objectives including that of providing employment to millions of people across the country*” (pp: 217). MSMEs constitute the dominant form of business organization even across the world and are the major providers of employment. In the US, for instance, small businesses employ roughly one-half of all Americans and account for about 60 per cent of gross job creation<sup>1</sup>. In the OECD economies, SMEs and micro enterprises account for over 95 % of firms, 60–70% of employment, 55 % of GDP and a significant share of new jobs.

In India, the MSME sector was projected to employ about 732 lakh persons in over 311 lakh enterprises throughout the country in the year 2010–11 and is next only to agriculture in employment generation. In terms of output, MSMEs produce more than 6000 products ranging from machinery and equipment, to apparels to food products to furniture and account for 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. MSE’s contribution to GDP has been on the increasing trend and was about 8.7 per cent in 2008–09 (latest available figures). Another remarkable feature of the sector was that it maintained a higher rate of growth vis-à-vis the overall industrial sector, consistently, during the years 2004–08. From the inclusive growth perspective, it is to be emphasised that the labour-capital ratio of MSMEs is much higher compared to the larger industries.



(Source: MSME Annual Report 2011–12)

<sup>1</sup> “Restoring the Flow of Credit to Small Businesses” – Remarks by Ben S Bernanke (Jul, 2010)

Another noteworthy feature of MSME sector in India is that about 45.2 per cent of the enterprises are located in rural areas, thus offering a great potential for rural development and for reducing the strain on urban infrastructure. The fact that MSMEs are widely dispersed across the country also makes them highly important from a regional development perspective and as a means to promote balanced and equitable growth all over the country.

Entrepreneurial development, I would say, is the other major contribution of the MSME sector. By encouraging entrepreneurs to take up projects that begin as just ideas, MSMEs enable realization of dreams. Microsoft, which is a software giant today, started off as a small business, as a dream developed by a young student with the help of family and friends. Our own Infosys is another example. We would be having many such seeds of ideas around, but unless they are nurtured with timely inputs in the form of credit, infrastructure and enabling policies, these seeds would remain unfructified. An enabling environment which encourages and nurtures such initiatives not only helps in realization of entrepreneurial dreams but also, more importantly, provides employment to many others, encourages other entrepreneurs to dream big and, in the process, benefits the economy with improved productivity, higher employment and enhanced competitiveness.

The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services and the levels of technology employed. Of the total number of registered MSMEs estimated at 15.64 lakh, a significant portion (94.9 per cent) are micro enterprises while small and medium segment enterprises account for 4.9 per cent and 0.2 per cent respectively. While one end of the MSME spectrum comprises highly innovative and high growth enterprises, more than 90% of the MSMEs are small and unregistered, with a large number of them established in the unorganized sector.

With so much of diversity amongst MSMEs in organisational structure, business segments, technological preparedness and geographical presence, the policy approach targeted at the development of the sector becomes so much challenging. Given their immense potential to bring about economic development, regional equality and general upliftment of population, it is, however, imperative that we squarely address the problems of the sector.

## **II. What ails MSMEs?**

There are many factors attributed to be hindering the development of MSMEs. They are broadly financing, infrastructure, Government policies (taxes and regulation), marketing and technology. I recall a survey conducted some time back which ranked the constraints in this order – Finance, Marketing, Technology, Infrastructure, Government policies. As that study was dated, I am not sure what would be the order now. However, the finance related issues continue to be a major concern for MSMEs.

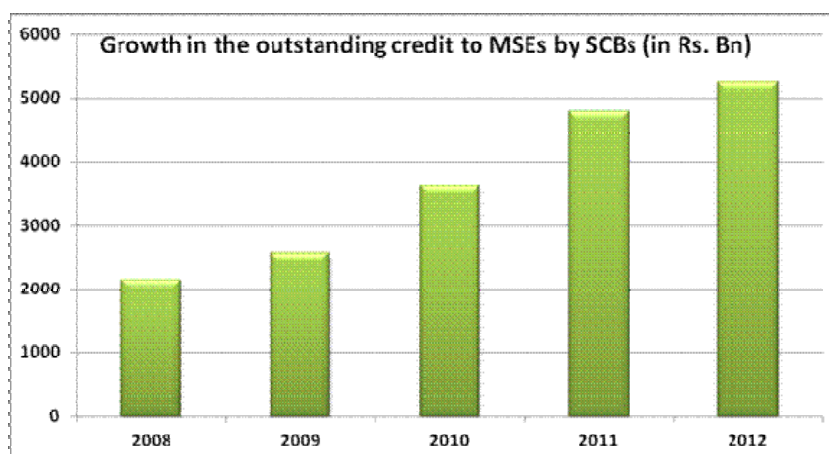
Non-finance issues plaguing MSMEs include: difficulties in procurement of raw materials at competitive prices; low production capacity; lack of skilled manpower; inadequate infrastructure facilities; lack of access to modern technology; constraints on modernization and expansion and lack of access to global markets.

Owing to their small size, the MSMEs often find it difficult to achieve economies of scale and fail to capture market opportunities which require large production facilities. Further, their small size hinders the internalization of functions such as market research, technology innovation and market intelligence which impedes their productivity. However, it is not that their small size is always disadvantageous. MSMEs are agile and flexible and can leverage on these qualities to capitalise on their innovative ideas. While big enterprises have their own benefits in terms of their size, the small enterprises should use their small size to their advantage. Of the three generic strategies formulated by Michael Porter, arguably the world's best strategy thinker, Cost Leadership is generally pursued by the firms that enjoy the benefits of economies of scale. MSMEs, on the other hand, can adopt Focusing and/or Differentiation strategies to develop competitive advantage.

### III. Financing gap

Let me now focus on the financing related issues faced by MSMEs. Small businesses generally rely on multiple sources of financing ranging from internal sources viz., personal funds and funds from friends, to external sources, both formal and informal, which include financing from banks, NBFCs, Venture Capital Funds and Angel Funds etc. Recourse to various financing sources depends upon the growth stage of the enterprise, the quantum of funds required, the maturity of the financial market and the policy environment. The Fourth Census of MSME sector revealed that only 5.18% of the units (both registered and unregistered) had availed of finance through institutional sources. While 2.05% had finance from non-institutional sources, the majority of units i.e. 92.77%, had no finance or depended on self finance.

This suggests that despite best efforts, the credit flow to MSMEs from the institutional sources is not commensurate with the economic activity undertaken by the MSMEs. Banks, on their part, lend a reasonable share of their credit to MSEs. As at the end of March 2012, the total outstanding credit provided by all Scheduled Commercial Banks (SCBs) to the micro and small sector (MSE) stood at Rs.5,242 billion as against Rs.4,785 billion in March 2011 and Rs. 3,623 billion in March 2010. Credit to MSEs has, as a percentage of the Adjusted Net Bank Credit of Public Sector Banks, increased from 9.5% in 2005 to 14.8% in 2011.



(Source: MSME Annual Report 2011–12)

### Banks' concerns in lending to MSMEs

There are concerns that banks face while lending to smaller enterprises. Credit information about a small enterprise is not as easily available, as it is for a larger firm, and it is not cost effective for the lender to collect information on all small enterprises. Nor have the small enterprises adequate collaterals to offer. The lenders, therefore, either refrain from lending or load the cost of information asymmetry into the lending rates. Another important factor is that risk assessment of smaller enterprises requires a separate set of tool as against the conventional tools, the absence of which is likely to dissuade banks from such lending. Further, smaller enterprises, in many instances, revolve around a single entrepreneur – *key man* – and lack good succession planning which discourages creditors to lend to such enterprises.

### IV. Policy initiatives

Recognizing the important role played by MSMEs in economic development and their sizeable contribution to employment and GDP, and realizing that financial access is critical for MSMEs' growth and development, Government and Reserve Bank of India have undertaken a lot of supporting initiatives. Let me very briefly touch upon a few of them.

With an objective of ensuring provision of banking services in all parts of the country, banks were advised to draw up a roadmap to provide banking services through a banking outlet in every unbanked village having a population of over 2,000 by March 2012. The Reserve Bank advised banks that such banking services need not necessarily be extended through a brick and mortar branch but could be provided also through Business Correspondents with the aid of any of the various forms of Information and Communication Technology (ICT) – based models. A total of 74,414 such unbanked villages have been identified and allotted to various banks through State Level Bankers Committees (SLBCs). As at the end of March 2012, as reported by the State Level Bankers' Committees of various states/Union Territories, banking outlets have been opened in 74,199 (97.7 per cent) villages across the various States in the country. This comprises of 2,493 branches, 69,374 business correspondents and 2,332 other modes like rural ATMs, mobile vans etc. The expanded banking coverage is envisaged to provide greater access to MSMEs operating in hitherto unbanked areas to avail of financial services.

Further, based on the recommendations of the Working Group (Chairman: Shri V.K. Sharma, Executive Director, RBI) constituted by the Reserve Bank of India to review the Credit Guarantee Scheme (CGS) of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), the limit for collateral free loans to the MSEs has been increased from the level of Rs. 5 lakh to Rs.10 lakh and has been made mandatory for banks. The Working Group has also made recommendations regarding increase in the extent of guarantee cover, absorption of guarantee fees for the collateral free loans by CGTMSE subject to certain conditions, simplification of procedure for filing claims with CGTMSE and increasing awareness about the scheme. CGTMSE, which is the implementing agency for Credit Guarantee Scheme, has been advised to expedite implementation of the recommendations. The implementation should result in enhanced usage of the Guarantee Scheme and facilitate increase in quality and quantity of credit to MSEs, leading, eventually, to sustainable and inclusive growth.

Timely detection of sickness is critical for any enterprise as any delay in this regard impinges on the revival prospects of sick, but potentially viable, units. In order to speed up the process for identification of a unit as sick, a proposal for modifying the extant definition of sickness, in line with the recommendations of the Working Group on Rehabilitation of sick SMEs set up by Reserve Bank of India, is under consideration of the Government of India and the Reserve Bank of India.

All Scheduled Commercial Banks have also been advised to review and put in place MSE Loan policy, Restructuring / rehabilitation policy and Non-discretionary One Time Settlement Scheme for recovery of non-performing loans, duly approved by their Board of Directors. Banks were advised in December 2009 to give wide publicity to the Non-discretionary One Time Settlement Scheme by placing it on their bank's web-site and through other possible modes of dissemination.

To address the complaints received from various industry Associations/Chambers that banks are not acknowledging their loan applications, all banks have been mandated to acknowledge all loan applications, submitted manually or online, by their MSME borrowers and ensure that a running serial number is recorded on the application form as well as on the acknowledgement receipt.

On the issues of alternate sources of credit, dedicated exchange for MSMEs, marketing, technology up-gradation and infrastructure, the PM's Task Force has made several recommendations to address the bottlenecks. The implementation of the recommendations in a time bound manner is being monitored by the Government of India.

Cleaner production polices help MSMEs to enhance energy efficiency, reduce emissions and increase profitability in the long run. Recovery of valuable by-products and increased access to new markets, supply chains and financing, etc., are other benefits of such cleaner

production measures. Institutions such as SIDBI are offering loans for energy efficient projects, in this regard. MSMEs can consider making increasing use of such facilities.

The new National Manufacturing Policy announced last year acknowledges the fact that technology up-gradation is the only and the fastest way to be able to compete globally and ensure sustainable growth in the manufacturing sector. The policy proposes to establish a Technology Acquisition and Development Fund that will address the concerns across industries. It provides part-reimbursement for technology acquisition.

In addition to these measures, the Reserve Bank of India has issued several instructions to commercial banks to enhance credit delivery and ensure timely and adequate flow of credit to the employment intensive MSME sector.

## **V. Way forward**

### ***Risk rating and pricing***

Credit ratings provide lenders with the information about borrowers' creditworthiness and enable them to take more efficient credit decisions. Borrowers with high credit ratings benefit by way of favourable borrowing terms such as lower collateral requirements, reduced interest rates, simplified lending norms and faster access to credit by banks and financial institutions. Reliable credit ratings, thus, facilitate availability of credit more easily and at fair cost. Ratings can also serve as a powerful self-improvement tool for SMEs and help them strengthen and fine-tune their operations. It is, however, generally observed that a vast population of MSMEs still remains unrated. With a view to encourage entities to get themselves rated, part reimbursement of rating fees is also being provided through National Small Industries Corporation (NSIC). MSMEs should seriously consider the benefits of credit rating and get themselves rated. Industry bodies may play an active role in educating MSMEs on the need and benefits of ratings.

### ***Access to capital***

#### ***Equity***

Equity forms an important constituent of MSME's financing avenues given the peculiarity of their business model. Most MSMEs, particularly the knowledge based enterprises, which, when starting off, have negative cash flows and no collateral and, therefore, find it difficult to access debt capital or bank financing. Venture /Risk capital is often a more appropriate financing instrument for high-growth-potential and start-up SMEs. Firms typically look for venture capital to provide them with the financing they need, to expand, break into new markets and grow faster. Thus, the ability of MSMEs (especially those involving innovations and new technologies) to access alternative sources of capital like angel funds/risk capital needs to be enhanced considerably to encourage and develop entrepreneurship. In the Union Budget 2012–13 the Finance Minister has announced to set up a Rs.50 billion India Opportunities Venture Fund with SIDBI to enhance the availability of equity to the MSME sector. Based on the recommendations of the PM's Task Force on MSMEs, the Bombay Stock Exchange and the National Stock Exchange have also set up a separate dedicated exchange / platforms for listing and trading of shares of SMEs making it easier for them to raise equity capital.

#### ***Debt***

For efficient capital structure decisions, an optimum mix of equity and debt is very important. Concerted efforts are being made by the regulators and policy makers to develop the corporate bond market in view of its strategic role in helping the corporates raise domestic debt capital in an efficient, transparent and faster way. As the corporate bond market

develops, we can expect innovations which would facilitate MSMEs to raising debt in a cost efficient manner.

### ***Factoring services***

Timely payments from customers will help SMEs in reducing their working capital requirements leading to lower interest costs, improved profitability and a positive impact on the long-term health and sustainability of India's SME sector. Delays in settlement of dues adversely affect the recycling of funds and business operations of the SME units. A study of 5000 SMEs by CRISIL shows that high quantum of receivables is an endemic problem across industry sectors and geographies in the SME space. Smaller SMEs, perhaps due to their lower bargaining power, are in a more disadvantageous position with weaker receivable positions. The CRISIL study estimates that SMEs can enhance profits by at least 15% if they receive payments on time from their large corporate customers.

It is, therefore, critical to ensure that the small entities are able to raise liquidity against their receivables. This problem can be institutionally tackled by factoring which provides liquidity to SMEs against their receivables and can be an alternative source of working capital. World over, factoring is a preferred route of accessing working capital for SMEs and even larger organisations. Some banks and financial institutions in India have already launched factoring services and I would urge more banks to offer such services, particularly for the MSMEs. To provide a legislative framework for factoring services, the Parliament has recently passed the Factoring Regulation Bill that would address delays in payment and liquidity problems of micro and small enterprises.

### ***Innovative credit schemes for MSMEs***

The efforts of the Ministry of Small and Medium Enterprises, SIDBI, Government of India, state governments and the RBI notwithstanding, there continues to be a significant demand-supply mismatch in financing MSMEs on account of perceived high credit risk involved in financing such entities. Given the growing requirements of the sector, the need of the hour is to introduce innovative credit schemes for MSMEs such as supply-chain financing, whereby MSMEs can access short-term credit against the supplies while they await payment. This would ease the working capital requirements of MSMEs to a considerable extent and facilitate smoother operations.

Products such as equipment lease finance can address the need for term finance, whereas products such as receivables financing, bills discounting, reverse factoring etc., could provide working capital finance. Continued financial innovation suiting the specific needs of the sector would increase the financing options for MSMEs and reduce the costs, thereby allowing these entities to achieve their full potential.

### ***Access to technology***

Technology is a game changer. It has the potential to cut down operating costs, enhance efficiency and also open up new markets and opportunities for MSMEs. MSMEs should seriously consider taking full advantage of technology so as to remain competitive and viable. In fact, innovation and technology are the two tools MSMEs have with them that need to be capitalized fully to compete with firms much larger in size. SMEs will have to continuously strive to incorporate the latest technology into their production processes as well as in their marketing and management functions, to cut costs, gain efficiency and consistency.

Technology, however, does not come free. The high costs of installing and maintaining information systems and recruiting the skilled workforce to operate them would be of a concern to many smaller firms. The new concepts such as cloud computing which enable collaborative sharing of resources, facilitate even smaller firms to leverage on advanced

technologies. Such arrangements also free up critical resources of MSMEs which could be used for focusing on core activities. MSMEs, therefore, need to be updated on the latest technological developments. They should develop necessary skills to adopt new technologies, while at the same time they should be cognizant of the risks that lurk behind such opportunities and the need to manage such risks.

### **Skilled manpower and managerial talent**

Human resource development issues are fundamental in improving SME competitiveness. Empirical studies show that human capital is a significant determinant of growth. The ability of SMEs to adjust to the competitive pressures that come with trade liberalization and globalization will depend on the level of skills available domestically. In fact, there are instances where lenders have reckoned the management skills as an innovative form of collateral for loans. The Government of India and various State governments have been implementing a number of schemes and programs over the years for skill development. The Rural Self Employment Training Institutes (RSETIs) are also working in this direction. The human capital issues for MSMEs include enhancing the managerial qualities of the MSME promoters and building skilled workforce for enhanced productivity. Several institutions such as National Institute of Micro, Small and Medium Enterprises (NIMSME) provide the training and capacity building support that is very crucial to MSMEs.

However, given the growing requirements of the MSME sector and the huge “demographic capital” we possess, significant efforts are still needed to enhance the skill and entrepreneurship development. My thoughts on this important area are: (i) In addition to the initiatives taken by Government agencies, the industry, through a process of training and handholding, has to contribute to building up a large base of appropriately skilled workforce available for employment in MSMEs. (ii) There should be training programmes by the industry associations to upgrade the skills of the workers and to acquaint them with the skills compatible with the new technology and (iii) entrepreneurship training in school curricula should be incorporated to enable the young minds develop the orientation and mindset to become entrepreneurs later in their careers. As the cliché goes “*If you **give** a man a **fish** you feed him for a day. If you **teach** a man to **fish** you feed him for a lifetime*”.

### **Risk management and governance**

From a balance sheet perspective, risk is defined as the probability of actual cash flows falling below the projected cash flows. Some estimate that 90% of small business failures are caused by poor cash flows. Anticipating the cash flow problems and developing the necessary coping skills to manage these shortfalls should be at the core of risk management strategy for MSMEs. Given the heightened volatility in recent times, MSMEs are increasingly exposed to various other risks such as interest rate risk and currency risks. MSMEs need to manage these risks to remain viable.

The MSMEs need to understand with appropriate support from the capacity building institutions in the form of seminars and workshops, the importance of corporate governance and its linkages with risk management. A small enterprise that Infosys was way back, could grow into a leading international firm today, thanks partly to its sound governance framework. Investors would often lower the cost of their lending when the governance structures are sound, leading to cost competitiveness of the MSMEs. Therefore, to become globally competitive, going forward, it is imperative that our MSMEs develop their skills in risk management and governance so as to have a sound Risk Governance.

### **Competing for growth (not survival)**

Management guru, late C.K. Prahalad produced two seminal works, viz., *Competing for the Future and Fortune at the Bottom of the Pyramid*. I would like to say that both are very



relevant for MSMEs today. Let me elaborate. Inclusive growth strategies such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) are going to enhance the capacity and willingness of the rural population to increase their consumption. This will increase the “*Fortune at the Bottom of the Pyramid*” i.e., purchasing power of the lower strata of the society. MSMEs, being nimble footed and in proximity to the bottom of the pyramid are bound to benefit from this increased consumption.

At the international level, MSMEs may have to face global competition, but the opportunities for growth are immense only if MSMEs are focused on quality and use appropriate technologies. As I mentioned earlier, innovative ways of financing the working capital needs of MSMEs is another important aspect to help them grow and compete.

### **Role of MSME associations**

The Chambers of Commerce and MSME Associations in our country can play a pivotal role in facilitating finance for MSMEs through various pro-active measures. These institutions can also create greater awareness among their MSME members about credit facilities from banks, NBFCs and financial institutions, benefits of credit rating, alternate finance options such as venture capital / angel funding, factoring, bills discounting, recently launched SME Exchange / platform, etc. in addition to engaging with policymakers and organising training / capacity building programmes.

### **Concluding thoughts**

Let me now conclude by stating that MSMEs play a very critical role in the economic development given their contribution in employment generation, export competitiveness and, more importantly, entrepreneurial development. As MSMEs are spread across the length and breadth of the country and have a strong presence in rural areas, their growth also leads to more balanced and sustainable development and eases pressure on urban infrastructure. Given the present state of economy, MSMEs can play a very critical role in renewing our export competitiveness and boost economic recovery. For these reasons, I would emphasise that building a robust and resilient MSME sector is imperative need of the hour.

The extent of financial exclusion in the MSME sector is very high. As only 5 to 10% of MSMEs are covered by institutional funding, there is a need to bridge the huge gap through enabling policies. Banks and financial institutions need to support the MSMEs in their need for finance. Some of them could grow into large corporates and potential MNCs in future. The Reserve Bank of India is endeavouring to support the MSME sector by providing an enabling policy environment and I urge all the banks and financial institutions to implement our guidelines in both letter and spirit to increase the credit flow to this vital sector. MSME Associations and Chambers of Commerce also have an important role to play in this formidable task of building a robust MSME sector. On their part, the MSMEs should be responsible borrowers, should use the bank credit in a judicious manner and take advantage of the business opportunities both within and outside the country. They should improve their governance and risk management practices, maintain proper books of accounts, submit correct information to banks and all authorities, and make their operations more efficient and productive to get easier access to finance from banks and other investors. With the concerted efforts of all the stakeholders I am sanguine that MSME sector would become more competitive and efficient and offer greater contribution to economic development.

I congratulate the Indian Chamber of Commerce for organizing this important conference and I wish the deliberations all success.

Thank You.

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