

## Expansion and Crediting of MSMEs: A Case study of Andhra Pradesh and Telangana.

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### Abstracts

Despite many crediting and financial inclusion programs at the bottom of the pyramid focusing on MSMEs' crediting for expansion, the main reason for domestic and international economic development is MSME expansion and crediting. Addressing their contribution to industrial production, exports, employment, and the nation's entrepreneurial foundation, MSMEs represent a major sector of the Indian economy with a scale of 90 per cent industry coverage, 40 per cent value addition in the manufacturing industry, 45 per cent industrial output, and 40 per cent export involvement. However, access to institutional finance (CB) is main impediments to the expansion and achieving MSMEs development in industrialized and prominent nations that is not fitting as most aegis so last few financial year Non-Banking financial institutions are growing as financial patronage. The Indian government has taken a number of steps to assure the continued expansion of MSMEs, but the sector is very sick as a result of a lacking of funding. Hereafter, the main objective of this study is to explore the relationship between crediting flow by schedule commercial bank (SCBs) and expansion of MSME industry in two Indian states using linear model. In particular, this research tries to evaluate the severity of the impact through comparative analysis of the credit flows to MSMEs by domestic commercial bank.

**Keywords:** Credit, Expansion, MSME, Andhra Pradesh, Telangana.

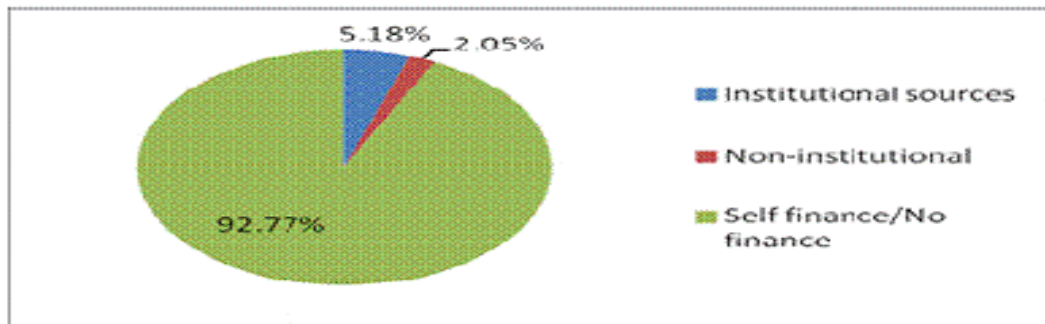
## Introduction

The sector's crucial role in driving economic growth, creating jobs, and contribution to the GDP is small and medium-sized businesses. The industry is distinguished by less monetary investment prerequisite, operational elasticity, venue specific mobility and import substitution. These industries have a significant role in industrialized countries becoming developed. Small and medium-sized enterprises (SMEs) are the preferred business owners in developing nations because of the significant and dominant role they have in economic expansion and contribute to progress by creating wealth, prosperity, and employment as well as generating revenue. Along with the expansion in GDP share, the MSME Ministry set a goal in 2020 to increase MSMEs' share in exports to 60% from 48% and create 5 crore more jobs by 2025. 11 crore employment opportunity in India were provided by MSMEs (Financial express, n.d.). The MSMEs industries are quite significant piece of legislation of the domestic and international Indian economy as it contributes around only 6% of the manufacturing GDP and 25 per cent from service activities as well as 33 per cent of India's manufacturing growth. MSMEs make up 63.39 million of the country's workers, according to the 73rd round of the National Sample Survey (NSS). In line with the 73rd wave of the National Sample Survey (NSS) carried out between 2015 and 2016, almost 110 million people were employed in micro, small and medium businesses, of which 360.41 lakh in the manufacturing sector, Free of captivity power propagation along with distribution, 387.18 million in business, and 362.82 million alternate services for a countryside and in the urban centre of India from the 1109.89 lakhs manpower in the MSME sector, 844.68 (76%) are male workers, and the remaining 264 lakh (24%) are females workers. MSME sector employed large amount of workforce with overall higher growth rate and labor to capital ratio. The sector is recognizing as fostering entrepreneurship Small and medium enterprises are thus essential for national development. Economic expansion utilizing and equity despite its high contribution in growth of economy the main impasse in expansion of the SMEs in Indian domestic economy is facing less adequate access of credit.

Approximately 5% of MSMEs had access to governmental financing, even though only 2% is received in the form of financial assistance and 5.18% from non-Institutional financing, as determined by the 4<sup>th</sup> Census of MSMEs on all India bases (reference year 2006–2007, completed during 2010–2011).

## Chart-1

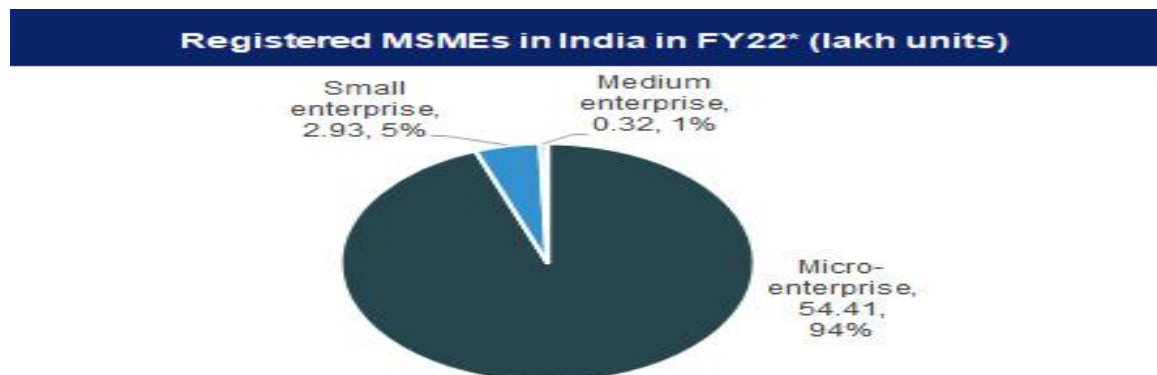
**Chart-1.1 : Financial Exclusion in MSME Sector**



*Source: Highlights of 4th Census on MSMEs*

In India, SMEs are highly dependent on the self finance as well as support from friends and relatives whereas very less credit gaps are filled by the financial institutions like Banks and non-institutional finance. As per the 4<sup>th</sup> MSMEs census in which it was found that approx. 93 per cent depend upon self-finance as far as formal finance concern only banks are in leading roll and non-institutional finance have less role in the financing of SMEs.

## Chart- 2



**Figure 1: Broad Classification of the MSMEs in India**

As of November 25, 2022, the Udyam Registration portal had registered 12,201,448 MSMEs, replacing the previous procedure of submitting an Udyog Aadhaar Memorandum, according to

data from the Ministry of Micro, Small, and Medium Businesses (UAM). 11 735 117 micro-enterprises were registered, which is 96.17% of all businesses, followed by 426 864 small businesses (3.49%) and 39 467 medium-sized businesses (0.32%). The state government has made the decision to create Telangana Industrial Health Clinic Ltd, an NBFC, as an associate of TSIDC, supported by the necessary Revival and Restructuring Policy, after realizing that banks have real difficulties in accurately diagnosing and assisting the incipient sick and sick enterprises on the one side and to actually do new lending to micro manufacturing units. The Clinic offers specific assistance to the few small enterprises that are seeking to access the equity markets. To ensure the sector's sustainable growth, the Corpus Fund, which was proposed, has built-in risk-balancing mechanisms. Finance for the industry has had certain issues. Banks have largely lost interest in lending to MSEs as the sector is not considered a priority lending sector by RBI due to the significant risk of NPAs, to which they themselves have contributed just as much as the MSEs themselves. When it comes to financing the sector, real risks are less significant than imagined threats. According to MSME annual report of 2021-22,(MSME Annual Report 2021-2022, n.d.). Remarkable 63.388 million MSMEs are thought to exist in India. The MSMEs sector, which accounts for 40% of India's workforce 110.98Million 45% of its output, 40 % of its exports, is one of the key drivers of GDP growth in India. Telanagana is thought to be over 2.6 Million MSMEs MSMEs, of which 44% are in urban regions and 56 % are located in rural areas. After the creation of the state 19,954 registered MSMEs units with an investment of roughly 31,023 crores have started operating.

## **Literature Review**

The MSME sector makes significant contributions to the state's economic growth and young employment in the area. It is also true that they require a lot of financial institutions' credit support as well as prompt assistance during stressful situations. The Government has made the decision to help cases where the banks have restructured loans under one time restructuring (OTR) by paying 50% (up to Rs. 2,00,000 (Two Lakhs) per account) of the auditor's charge for preparing a Techno Economic Viability (TEV) report, where applicable. In order to fix the range of the amount payable as the auditor's fee for preparing the Techno

Economic Viability Report by properly prescribing rational & appropriate criteria, it is requested that the Commissioner of Industries, GoAP, Vijayawada, provide additional guidelines in consultation with the SLBC, Andhra Pradesh. MSMEs' performance and growth have been studied. The study demonstrates that insufficient financial facilities unquestionably reduce Small Scale Companies' ability to compete (SSI). The study also noted that the total bank credit to the MSME sector was Rs. 833 billion in the fiscal year 2015 and had increased at a compounded average growth rate of 25% to reach Rs. 7.9 trillion in the previous year. Financial support for small businesses is still in high demand. There is a claim that banks are hesitant to work with small businesses because of their high percentage of non-performing assets (NPAs). The government's numerous policy initiatives to promote the expansion of MSMEs have led to a tremendous rise of MSMEs. The MSMEs are nevertheless plagued by a number of manufacturing, distribution, and financial issues. The Central and State Governments have actively taken initiatives to encourage and foster the growth of MSMEs in recognition of their crucial role in the national economy. Although many of the production, distribution, and financial issues still influence the MSMS, these steps have been remarkably effective. While some of them are more or less common to a variety of small companies, others have special relevance to a subset of small industries as well as to industries located in rural and underdeveloped areas(Kalyan, 2020). Studied a variety of factors' effects on MSE performance the performance of MSEs is affected by a number of factors, including finance and credit. According to the survey, access to financing is one of the most important challenges encountered by MSEs, and its influence on their performance is significant. Due to the inability to purchase the necessary technology and the production facility's limited resources, restricted access to finance, high interest rates, bureaucracy in obtaining financing, and insufficient financial management skills, manufacturing activity is reduced and becomes less competent. The researcher offers a number of options to address these issues, such as promoting a culture of saving, looking for various methods of gaining access to money, increasing the number of financial institutions and their capacity, and, ultimately, reviewing interest rates. According to the research, MSEs are experiencing

significant financial and credit-related problems that are more challenging to handle. One of the main contributing factors to the 50% drop-out rate is this element (Thomas 2017). The truth is that NPAs are a common occurrence in both larger and smaller industrial units. The "glamour" of lending to larger units is the only distinction (Hiremath, n.d.). MSMEs deliver into the economy a unique and innovative idea for the entrepreneurship development which makes a noted competitor to the foreign company's product by efficiently allocating the nation limited resources. (Lakuma et al., 2019). OECD conference on SMEs (Bakhtiari et al., 2020) According to reported a variety of obstacles to their survival and growth, such as restricted access to financing. The ability to obtain funding has been cited in numerous business surveys as one of the biggest barriers to the survival and expansion of SMEs particularly those that are innovative (EC, 2002a). Moreover, SMEs low market power, poor managerial abilities, high proportions of intangible assets, lack of acceptable accounting records, and insufficient assets all contributed to their higher risk profile. The result is that conventional commercial banks and investors have been hesitant to offer lending services to SMEs. According to 2019 data, only 8% of India's 6.3 crore MSMEs were able to obtain credit assistance and loans through traditional credit channels, leaving the other 92% dependent on either self funding or NBFCs for financial support. The bank claims to lend to MSMEs when it come to funding. MSMEs are actually the most underserved industry despite what one might expect given how overbanked they are. Banks seldom ever provide MSMEs with the credit they require for expansion. The NBFCs hence mostly serve MSMEs. (Basu, 2016) Only seven to eight percent of MSMEs that were listed received Pell grants from formal sources, a fairly low percentage. Nonetheless, the situation for unregistered units was far worse, with only 4.80% receiving such support (Government of India, 2022). Still, money crediting is a major issue for MSMEs entrepreneurs, so they rely on their own cash as well as friends, relatives, and so on. The lack of monetary funds becomes an obstacle in development and expansion for the industry due to the fact that 77,723 micro and small units had been deemed to be unhealthy as of March 2022. Almost 48% of MSMEs endeavor have been suffering from a lack of daily operating capital as a major

contributor to the health of their businesses, which can be easily linked to other issues such as a lack of raw materials, low demand, power shortages, skilled labor, commercialization and hardware issues etc. (Confederation of Indian Industry, 2011). Inadequate capital investment from the banking system and the financial sector is one of the major contributing factors of the transformation of competent units to sick units (Chandra Sekhar Mund, n.d.). Monetary scarcities are faced by Indian MSMEs in several ways that are known as government policy failure, MSMEs of Indian nations are legal framework unimportance (in connection with NPS, reclamation, bankruptcy and contract imposition), a weak organizational legalization (absence of effective financial assessment and credit appraisal tools) insufficient and trustworthy data on MSMEs' credit (Fu et al., 2012). Business is always not profitable and sometimes evaluation of a company's position on financial performance creates obstacles to obtaining credit from the formal lending institutions. As (Thampy, 2010) stated in his study if SMEs is in loss that may restrain banks to credit financial lenders are reluctant to extend credit even though many enterprises are in desperate need of cash infusions. The argument behind unprofitability is lack of education so that entrepreneurs are not able to value bargain efficiently with raw material supplier, customers, use of proper technology of MSMEs with comparison to large manufacturer (Chitsimran; Mehak, Paras; Kaur Dilpreet and Pandey, n.d.). By updating legislation new act enforce on The MSMED Act of 2006 promotes the growth of micro, small, and medium-sized businesses to enlarge the expectation of Small Scale Industry (SSI) into Micro, Small, and Medium enterprises by inclusion of medium and scale units for broad classification of venture into Manufacturing and service. Regional Director of the RBI in Chennai, K R Ananda, claims, in the past, MSMEs relied heavily on banks for financing. "It is not uncommon for MSMEs to receive bank loans. It is apparent, however, that lenders and borrowers perceive things differently (MSMEs). Banks are doing too little to support MSMEs, while lenders see a credit expansion for the sector." There are no commercial banks that can layout of fund requirement. The apex financial bodies of India (RBI) have tried to convince micro, small and medium enterprises (MSMEs) Funds can be raised by tapping the equity markets, their advantage over

traditional banking is that they can provide a more flexible financing option. The financial directors has additionally aforesaid that, as on date, a high entry threshold is essential perquisite to the industry to recurrence the securities markets, while SMEs trading platform. There have been notified norms by the capital market regulator that would address this matter. The government A variety of measures have been taken, known as, credit Rating for MSMEs, Udyami Helpline, Cluster Development Program collateral free credit (up to `1.0 million to MSMEs), exclusive SME Branches, re-establishment way, sustainable settlement etc., The MSME sector may be assisted from time to time to facilitate its growth. The Reserve Bank of India (RBI) has also published several guidelines for the Scheduled Commercial Banks. (SCBs) must make sure that this industry receives enough funding. A statutory mandate from the RBI mandates SCBs to include advances to Micro and Small Enterprise ia, 2019–20') (MSE) under Priority Sector Loans (RBI, 'Report on Trend and Progress of Banking in Ind. PMs task force recommendation, It is advised that banks achieve their goals 20 per cent credit growth year-over-year to MSEs and admeasure 60 per cent of MSE advances to micro enterprises which is to be accomplish a step by step process, namely, 50 per cent in 2021–2022, 55 per cent in 2011–2012 and 60 per cent in 2012–2013 (33rd SLBC Quarterly meeting for the quarter ended March 2022- Andhra Pradesh and Telangana, 2021–22'). Aside from initiatives under this category, deficiency of financing still poses huge number of challenges to SMEs, limiting them in their development, growth, and operation. A study has therefore been undertaken to examine the relationship between credit and MSMEs' expansion. Additionally, an analysis of credit comparisons flows to MSMEs has been conducted in Andhra Pradesh and Telangana. According to the Reserve Bank of India, the momentum from this year has continued into 2022–2023, with priority sector lending to micro and small businesses increasing by 5% between March and August. To harness latent demand and potential, though, new routes are required like tech development.



## Chart-3

### Definition of MSMEs

Criteria	2006 Act		2015 Bill		2018 Bill	Cabinet (June 2020)
	Investment		Investment		Turnover	Investment and Turnover
Type	Manufacturing	Services	Manufacturing	Services	Both	Both
Micro	Up to Rs 25 lakh	Up to Rs 10 lakh	Up to Rs 50 lakh	Up to Rs 20 lakh	Up to Rs 5 crore	Investment: Upto Rs 1 crore Turnover: Upto Rs 5 crore
Small	Rs 25 lakh to Rs 5 crore	Rs 10 lakh to Rs 2 crore	Rs 50 lakh to Rs 10 crore	Rs 20 lakh to Rs 5 crore	Rs 5 crore to Rs 75 crore	Investment: Rs 1 crore to Rs 10 crore Turnover: Rs 5 crore to Rs 50 crore
Medium	Rs 5 crore to Rs 10 crore	Rs 2 crore to Rs 5 crore	Rs 10 crore to Rs 30 crore	Rs 5 crore to Rs 15 crore	Rs 75 crore to Rs 250 crore	Investment: Rs 10 crore to Rs 50 crore Turnover: Rs 50 crore to Rs 250 crore

Sources: MSME Development 2006 Act, MSME Development Amendment Bills 2015 and 2018, PIB update on cabinet approval; PRS.

MSME is a very vibrant segment of any economy in the world. It is evident from the improvement of performance of the MSME over a period. The main strength of the global economy and strong economies of the advanced and strong countries is MSME. All the big corporates have reached the level of maximum growth and it is not expected to grow further. The presence of MSME is the backbone of economic support. The Government of India and state Governments are taking initiatives to encourage young graduates for easy guidance and take advantage of Government schemes and subsidies to build new line of industries. MSME can provide good employment opportunities to young graduates and can dare to venture into new businesses. MSME is not confined to any domain, but it is extended to many diversified areas where opportunities are available for young minds. Further to say the requirement of capital outlay is reasonable and affordable.

#### Study Gap

For MSMEs, expansion is the need of the time to compete with the asymmetrical challenges from national and international competitors and for MSMEs through different modes like technological, infrastructure, and managerial skills; but these will not be fulfilled without financial aegis (credit) from the schedule commercial banks (SCBs) in India. The new mode of finance for the credit of MSMEs should meet the willful expansion of MSMEs, so SME enterprises should have a financing option that can be funded in lenient ways. Over the years, the government of India has introduced various schemes and policy initiatives aimed at incentivizing the development and growth of the MSME sector.

## Objectives and Scope

According to the study, the following objectives will be achieved:

To examine how SCBs' crediting impacts the Indian MSME sector's expansion.

This study analyses inflow of credit by domestic CBs to state based MSMEs of Andhra Pradesh and Telangana.

The goal is to propose a few measures that will help this sector expansion.

H0 – There will no significantly impact of crediting by commercial bank on MSMEs performance

H0- There is no significant impact of inflow of credit finance of commercial banks to MSME to analysis of MSMEs expansion.

H0- There is no significant influence of credit finance to MSMEs for their expansion.

**Table- 2 Credit to MSMEs by CBs in India and its expansion**

Year	Credit(Trillion)	Expansion
2012	5.02	14.1
2013	6.2	15.17
2014	7.02	12.23
2015	9.04	9.29
2016	8.07	10.97
2017	3.32	10.9
2018	0.0695	12.98
2019	0.0225	12.88

2020	0.037	10.2
2021	0.018	13
2022	1.31	15

Source- Researcher Complied the data from different sources

Dependent variable:

Expansion

Credit                    -0.00000  
                                   (0.00000)

Constant                12.946\*\*\*

Observations            11  
 R2                         0.068  
 Adjusted R2            -0.035  
 Residual Std. Error    1.959 (df = 9)  
 F Statistic              0.660 (df = 1; 9)

Note: \* $p < 0.1$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.01$

> library(report)

> report(model)

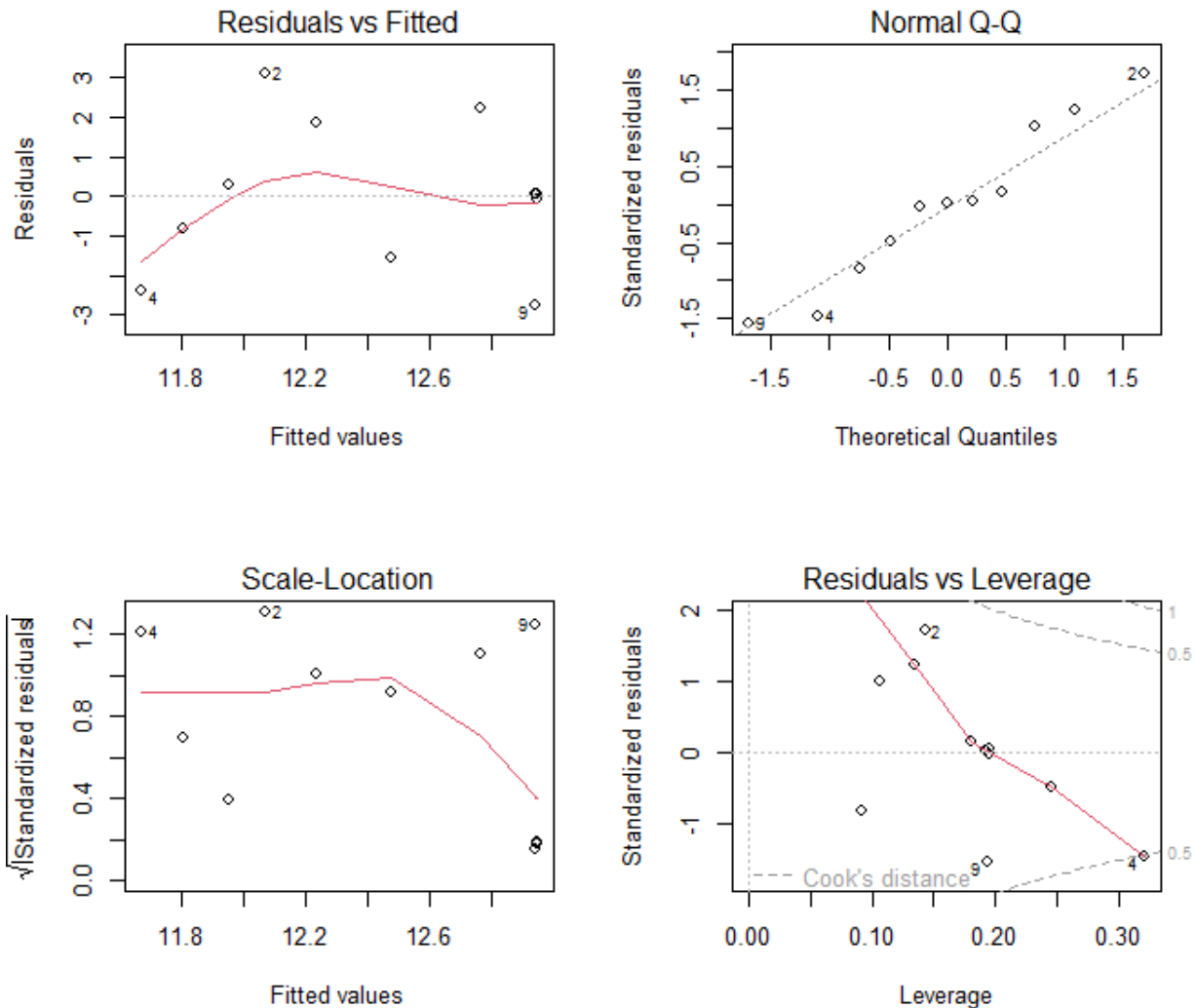
(0.868)

Our linear model, which was generated using OLS, was used to forecast expansion with Credit

(Formula:  $\text{expansion} \sim \text{Credit}$ ). The model explains a statistically not significant and weak proportion of variance ( $R^2 = 0.07$ ,  $F(1, 9) = 0.66$ ,  $p = 0.438$ ,  $\text{adj. } R^2 = -0.04$ ). The model's intercept, corresponding to  $\text{Credit} = 0$ , is at 12.95 (95% CI [10.98, 14.91],  $t(9) = 14.91$ ,  $p < .001$ ). Within this model:

- The effect of Credit is statistically non-significant and negative (beta =  $-1.42e-06$ , 95% CI [ $-5.36e-06$ ,  $2.53e-06$ ],  $t(9) = -0.81$ ,  $p = 0.438$ ; Std. beta =  $-0.26$ , 95% CI [-0.99, 0.47])

The model was fitted to a standardized version of the dataset to produce standard parameters. Using an approximation of the Wald t-distribution, 95% Confidence Intervals (CIs) and p-values were calculated.



## Hypothesis

H<sub>1</sub>- Credit by commercial banks to MSMEs has no significant impact on the expansion of MSMEs.

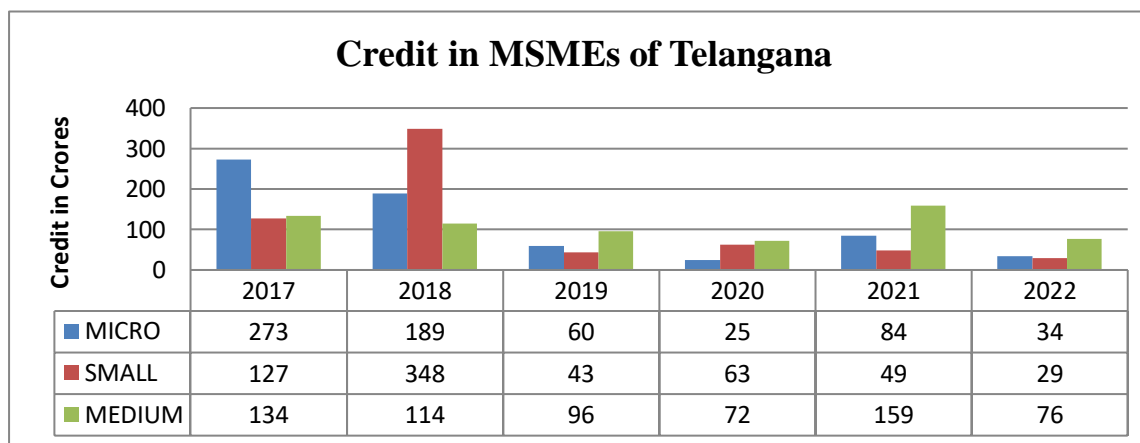
H<sub>2</sub>- There is no significant impact of inflow of credit finance of commercial banks to MSME to analysis of MSMEs expansion.

H<sub>3</sub>- There is no significant influence of credit finance to MSMEs for their expansion.

In case of present research article the assumption that credit finance will have an impact on expansion of MSMEs in the states of Andhra Pradesh and Telangana is not consider as major factor for expansion because there are several other factors like management efficiency, capital structure, working capital management, are responsible for MSMEs expansion so we conclude that credit finance by prominent financial institution and CBs in the expansion of MSMEs. Crediting is not the sole factors for the expansion of MSMEs.

In this study, Linear model is significant (estimated using OLS) to anticipated to expansion with Credit the expansion of MSMEs is based on the credit to small industries by commercial banks (CBs) in the country from 2012–2022. For the period up to the present, the credit extended by CBs was provided to small industries. As a result, the effect of crediting on the expansion way to Indian industry that the small and limited investment sectors has been evaluated by using statistical evidences from 2012- 2022. Credit flows to small and medium-sized enterprises a comparative analysis by domestic SCBs in Andhra Pradesh and Telangana study was ordained after the MSMED Act went into effect, that is, from 2012–2022. The information was gathered from a variety of sources, including the "Report of State Lead Bankers Committee." — Andhra Pradesh and Telangana' (Union Bank of India, various years) According to the RBI, the Bank of India monitors and reports on trends and development over time. The Ministry of MSMEs' Annual Report, additional statistics reports, academic journals, and website portals, discussion etc.

**Table- 1**



Telangana is thought to be home to 2.6 million MSMEs, of which 56% are in rural areas and 44% in urban areas. After the creation of the state, 19,954 registered MSME businesses have started operating with an investment of roughly Rs. 31,023 crores. Crediting, however, does not fully satisfy the needs of MSMEs in the states, the industry's rise in terms of numbers is adequate while providing jobs for the nation's people.

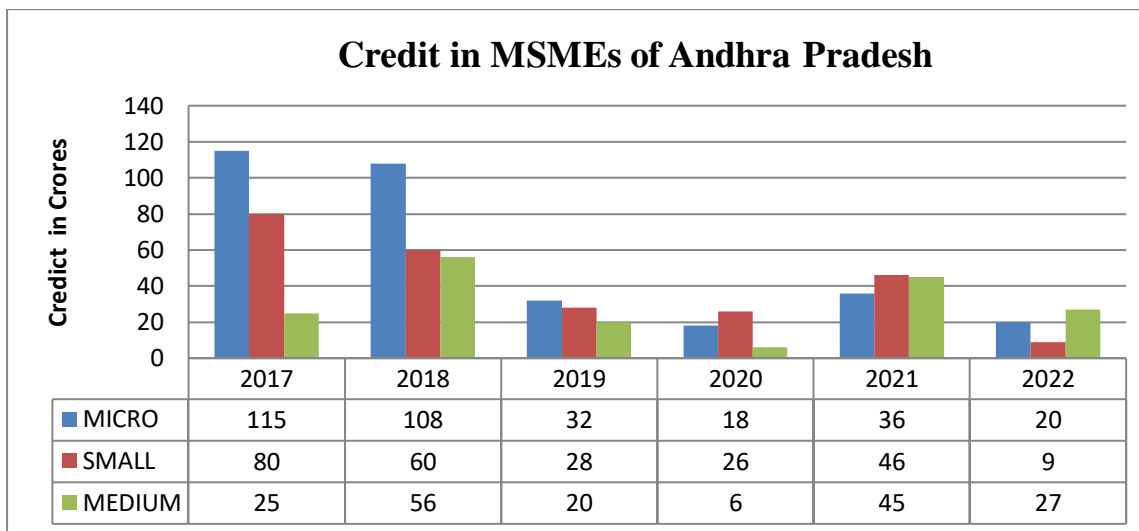
**Table- 2**

Category	Number of Units	Investment Value (in INR Cr.)	Employment Generation
MICRO	13546	5099	135547
SMALL	5830	15946	165242
MEDIUM	578	9978	62699
Total	19954	31023	363488

### **SOURCES- Invest Telangana**

The table above clearly shows that when it is summed up in terms of number of units, investment outlay and employment generation there is no doubt the MSME sector in combination is doing excellent work and this is the only area where a graduate can become job provider instead of job seeker. Telangana is one such state which has been focusing on MSME growth by providing scope for Enterprenuership.

**Table- 3**



Source: compiled and estimated from multiple MSME dashboard

Table- 4

Category	Number of Units	Investment value (In Inr Cr.)	Employment Generation
MICRO	16352	6825	156821
SMALL	5962	19865	142562
MEDIUM	906	9056	78542
Total	23220	35746	377925

Source: Invest Andhra Pradesh

The state of Andhra Pradesh had to have a new beginning since 2014 when it got separated from being combined state for a long time. Several initiatives were taken, and combined Andhra Pradesh had very good growth. The state had to rewrite its existence from 2014 onwards. The state was eager to do something new and, in the process, many new drives were taken to promote MSME growth and inception were being witnessed. The Government has done good homework in the direction which has started yielding fruits and new developments are seen.



**Ease of Doing Business:**

According to the Department for promotion of industry and internal trade research on the adoption of business reforms, Andhra Pradesh is ranked second in India. By 2019, the state hopes to be the top state in the nation. Vijayawada, Visakhapatnam, Kurnool, and Tirupati are the four cities for which the state's Ease of Doing Business ranking according to World Bank methodology is being computed.

**Table- 5****Key Target Numbers:**

<b>Target</b>	<b>2019</b>	<b>2022</b>	<b>2029</b>
<b>Total Investments in Economy</b>	<b>12.75 Lakh Crore</b>	<b>36.8 Lakh Crores</b>	<b>84 Lakh Crores</b>
<b>Industry- Contribution to GSDP</b>	<b>23%</b>	<b>23.7%</b>	<b>25-28%</b>
<b>Labour Productivity</b>	<b>Rs. 8 Lakh</b>	<b>Rs. 12 Lakh</b>	<b>Rs. 16 Lakh</b>
<b>Cumulative Number of Additional Jobs</b>	<b>046 Crores</b>	<b>2.25Lakh each year till 2029</b>	<b>1.44crores</b>
<b>Global Competitiveness Index</b>	<b>Ranks 51 (out of 140)</b>		<b>Top 25</b>

**Source- Andhra Pradesh Vision**

The MSME sector in this country was already struggling with issues like out-of-date technology, inadequate marketing, and a lack of coordination between business owners and governmental authorities. The most essential increase in MSMEs that is 111.48 per cent in 2012-2022, and the expansion of innovations in the MSME sector, that is, 67.71 per cent in 2012-2022 were due to re apportionment of enterprises under the MSME Act, 2006. 25,000 new and export oriented MSMEs. The share of MSME employment to increase to 10% by 2029. Dinesh Kumar was addressing

a meeting after disbursing ₹200 crore of credit by various banks at the A.P. Credit Outreach program conducted by the Union Bank of India as the Lead Bank. The credit outreach program was being held as per the directions of the Department of Financial Services, and State-Level Bankers Committee at ITA Kalamandalam(Kumar, 2020). Banks are giving priority to MSMEs loan as the sectors are considered as priority sector because it has covered 99 % of business. MSMEs have been developing more strongly than the number of units, notably since the covid-19. Owing as a debt increase to MSMEs improved through different types of credit flow schemes somehow few SMEs remain to lack the necessary landing aid, which enormous untapped potential for the banks.

### **Suggestions and Conclusions**

Like any commercial enterprise, Small and medium enterprises are acclaimed as large pillars and deemed to be collarbones not only in India as well as overseas with high development characteristics like evolution in economics, the steady reduction of poverty, the increase in employment, the production of goods, the innovation in technology, and the improvement of socio-economic status, and standards are universally endorsed for their economic expansion. It is necessary to understand that with high input in the economy, the banking sectors with the support of governing bodies and other financial bodies like NBFCs, and MSMEs should spring up jointly to intensifying crediting and the expansion of the sector by providing adequate credit or lending support. As a result, the following is an unequivocal way to be advised. A subordinate debt scheme for stressed MSMEs was approved on 1st June 2020. As a part of the scheme, banks can inject equity or quasi-equity in stressed MSMEs up to 15% of their promoter stakes or Rs. 75 lakh each. Through government policy it should

be provide productive procedure delay in repayment of mortification to tiny and bulky enterprises with priority sector status and privileged nourishment from MSMEs.

Financial institutions ensure that additional retail SME arms are implanted for better financial credit backup and more facilities to start, operationalize, and reconstitute MSMEs. The scheme cluster development is an adequate means of all fold development of the MSMEs sectors in Andhra Pradesh within different industry. Through cluster development program focus to abate unnecessary bear the cost by MSMEs In turn, this would increase profitability and decrease financial adherences of MSMEs internal and external credit. The expansion in national, parochial underpinning, SMEs cluster specific equipped with facilities and services like machinery, business to business, and e-platform the advancement of technological enhancement for MSMEs groups and an emphasize on application such as on cloud computation, the promotion of industry-academia collaboration, the strengthening of road, rail, and air connectivity and the R and D and technological advancement are just a few of the crucial recommendations made in relation to infrastructure.

Source: **SME Times News Bureau (2014)**

Special credit schemes for the enhancement of technology transfer as well as modernization of MSMEs units. Under the aegis of financial organizations audit and controlling of finance among the MSMEs industry on consistent ways to assure fine and healthy condition of an enterprise. Kiosk way to adopt for the assist and make use of lending services to medium and small enterprises in the countryside at the hand of institutions that cover the financial need of these industries like commercial banks, NBFCs, Regional Rural Banks (RRB), Co-operative Societies and Post Offices. Opaque in credit statistical evidence and accommodate all types of knowledge by banks for the aim to provide credit. Lenders would indeed be reluctant to take the risk if there was not adequate information about small business. Government financial bodies need to supply different types of rational support, incentives like excise duty and tax holidays, discounted interest rate, availability of raw material in nearby area at fair and low cost by efficient way assistance for research and development new technology adoptions and many more. For, development and advancement of MSMEs. Moreover, financial incentives, adequate skill development and training are essential

requirement for MSMEs to infuse information to improve spirit of professionalism in management and organization will maintain and sustain their operations in the long run.

Throughout attempt for such businesses to gain financially, it is valuable to improve the extent of MSMEs' awareness of the various services offered by federal and state governments, financial institutions, and agencies, including financial schemes, marketing assistance, training, and consultancy (on topics like quality, technology, management, and appraisal).

Sustainable growth and expansion of MSMEs is not possible without credit.

Henceforth, financial institutions should ameliorate the possibility of credit by banks. Expansion is depended on the liquid cash which is in the form of credit for the sustainable and continuous development of MSMEs. Accordingly, Banks or financial institutions should keenly credit to MSMEs without any vast term and conditions and without taking long time, risk is concentrated among a select few units when financing huge corporations. This notwithstanding, when the same number of loans are made to the MSME sector, the peril would be disseminated across an extravagant number of units. Appropriate foundation with strong infrastructure may boost the MSMEs sectors to enhance accessibility, use of resources, availability, and accumulate capital, so MSME s epoch the globalization for tackle and handle the competition.

### **What is originality of paper -**

This research is original and highly valued to a wide range of readers. Scholars, practitioners, aid donors are widely interested in understanding the status of credit flow to MSMEs in Andhra Pradesh and Telangana. Research of this nature has never been conducted in these two states.

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