

**Credit Potential for Micro, Small and Medium Enterprises (MSME) in Andhra Pradesh**

**1. MSMEs:**

MSME stands for Micro, Small, and Medium Enterprises. These are businesses classified based on their investment in plant and machinery or equipment (excluding land and building) and their annual turnover. The classification is defined under the MSMED Act of 2006.

**Importance of the MSME Sector in India:**

The **Micro, Small, and Medium Enterprises (MSME)** sector plays a pivotal role in driving India's economic progress and inclusive development. It serves as a backbone for industrial growth and social upliftment.

- **Employment Generation:** MSMEs provide livelihoods to approximately **120 million people**, spanning manufacturing, trade, and services.
- **GDP Contribution:** They account for nearly **33% of India’s GDP**, showcasing their economic significance.
- **Export Promotion:** MSMEs are vital contributors to India’s export ecosystem, enhancing global trade presence.
- **Entrepreneurial Growth:** They foster innovation and entrepreneurship, especially among first-generation business owners.
- **Regional Development:** MSMEs help bridge the urban-rural divide by promoting industrialization in **rural and backward areas**.
- **Income Equity:** By decentralizing economic activities, MSMEs support a more **equitable distribution of national income**.

**Classification of MSME as per revisions w.e.f from 1<sup>st</sup> April 2025**

Classification	Micro	Small	Medium
<b>Manufacturing Enterprises and Enterprises rendering Services</b>	Investment in Plant and Machinery or Equipment: Not more than Rs. 2.5 crore and Annual Turnover not more than Rs. 10 crore	Investment in Plant and Machinery or Equipment: Not more than Rs. 25 crore and Annual Turnover not more than Rs. 100 crore	Investment in Plant and Machinery or Equipment: Not more than Rs. 125 crore and Annual Turnover not more than Rs. 500 crore

Source : <https://msme.gov.in/know-about-msme>

## Current Landscape

- India hosts over **7.9 million registered MSMEs**, forming a vast and diverse industrial base.
- The sector spans across various domains, including **textiles, food processing, electronics, handicrafts**, and more

## 2. MSME profile of Andhra Pradesh:

**Overview and importance:** Andhra Pradesh boasts a significant and rapidly expanding Micro, Small, and Medium Enterprises (MSME) sector, which serves as a vital contributor to the state's economic growth and a source of employment for millions. With over 33.7 lakh MSMEs registered in Andhra Pradesh as of recent reports, the state is strategically focused on further bolstering this sector, setting ambitious targets like reaching 12 lakh MSMEs by 2027.

**Key sectors:** The MSME landscape in Andhra Pradesh encompasses diverse industries, including: (i) Agro-based industries: Leveraging its agricultural output, Andhra Pradesh excels in processing crops like rice, cotton, and chilies, and is a major player in aquaculture, horticulture, dairy, and poultry. (ii) Textiles and Handlooms: The state has a strong tradition in handloom weaving, particularly in Guntur and Prakasam districts, and is home to a significant number of power looms. (iii) Pharmaceuticals and Chemicals: This sector is experiencing rapid growth, with MSMEs contributing to exports and focusing on areas like bulk drugs, medical device technology, and biosimilars. (iv) Automobile and Auto Components: Andhra Pradesh has a robust presence in this industry, supported by a broad base of manufacturers and a skilled workforce. (v) Other significant sectors are mineral and building materials, drugs and pharmaceuticals, fabricated materials, trading, and services.

**Geographical spread:** Industrial hubs like Visakhapatnam, Vijayawada, and Tirupati are central to industrial activity, while rural areas actively contribute through agro-based and cottage industries. Clusters of MSMEs engaged in traditional activities like handicrafts (e.g., Machilipatnam artificial jewellery, Kondapalli wooden toys) and handlooms (e.g., Venkatagiri, Uppada) are scattered across both rural and urban areas. The state is also strategically positioned along key industrial corridors like the Vizag-Chennai Industrial Corridor (VCIC) and the Chennai-Bangalore Industrial Corridor (CBIC), creating further growth potential and integration into global production networks.

## 3. Strength of MSME Sector in the State:

The Micro, Small, and Medium Enterprises (MSMEs) in Andhra Pradesh form a vital part of the state's economy and play a significant role in its overall development. The strengths of the MSME sector in Andhra Pradesh can be enumerated as under:

The manufacturing sector remains key, contributing approximately 11% to the Gross State Domestic Product (GSDP). The state is committed to develop Micro, Small, and Medium Enterprises (MSMEs). The industry sector's GVA is estimated at Rs. 2,22,741 crores for 2024-25 (FAE), reflecting a growth rate of 6.58%, compared to Rs. 2,08,981 crores in 2023-24 (FRE). This sector encompasses Mining and Quarrying, Manufacturing, Electricity, Gas, Water Supply, Remediation & Other Utility Services, and Construction. Notably, the Construction sector and the Electricity, Gas, Water Supply, Remediation & Other Utility Services sector have grown by 9.55% and 5.87%, respectively. Manufacturing and Mining have registered growth rates of 5.32% and 2.70%, respectively.

The service sector, a crucial component of the economy, encompasses a wide range of activities including Trade, Hotels, Restaurants, Transport by Other Means & Storage, and Supra Regional sectors such as Railways, Communications, and Banking & Insurance. From 2014-15 to 2024-25, the sector has shown consistent growth, with notable increases in GVA across various sub-sectors. For instance, Trade, Hotels & Restaurants grew from Rs. 36,789 crores in 2014-15 to an estimated Rs. 69,836 crores in 2024-25.

The state has diverse natural resources and a long coastline, supporting various sectors. Its strategic location as part of major industrial corridors enhances its growth potential. The State has an extensive road network of 123,334 km (76,636 mi) including national / state highways and district roads. The state has a total of 4,422.53 km (2,748.03 mi) of national highways. The State has a total railway route of 3703.25 km. The rail density of the state is 16.59 per 1,000 km (620 mi), compared to an all-India average of 20. The Howrah – Chennai main line which runs through the state is proposed to be upgraded into a high-speed rail corridor. Andhra Pradesh has three functional domestic airports and three international airports. The state has a custom airport at Vishakhapatnam & operates flights to Singapore, Dubai United Arab Emirates, Malaysia, Thailand and domestic Services as Well. There are three domestic airports at Kadapa, Rajahmundry and Kurnool. Vishakhapatnam and Tirupati serve as international airports. Visakhapatnam airport is the largest airport in the state and handles over 60% of the domestic traffic of the state. The state has a coastline of 974 km (605 mi) and is the second longest in the country. The state has 14 Ports with a sum of 250 Mt (250,000,000 long tons; 280,000,000 short tons) capacity. Vishakhapatnam, Gangavaram and Krishnapatnam ports are three deep water ports

The government supports MSMEs with policies and schemes, including financial incentives and infrastructure programs. The State Government has come up with the MSME & Entrepreneur Development Policy 4.0 (2024-2029) with a lot of incentives to promote MSME in the State with a motto of One Family One Entrepreneur. The Government proposes to access to information, business development support and other facilitatory measures which shall be undertaken to enhance speed of doing business and bring down the cost of doing business

MSME sector is a major source of employment, especially in rural areas. State Government promotes skill development to create jobs. MSMEs contribute to innovation through developing processing units and focusing on high-value products. The State Government has put in place the Startup Policy (4.0) 2024-29 to promote innovation and incentivises the incubates as well as incubators.

#### **4. Credit Gap:**

MSME credit gap in India stands at ₹ 20–25 lakh crore as of March 2025 owing to low formal credit penetration (~14%) compared to global peers.

Outstanding MSME credit reached ₹ 40.4 lakh crore by March 2025, growing ~20% YoY.

Andhra Pradesh hosts ~25 lakh MSMEs employing ~70 lakh people, contributing ~40% of the state's exports.

State leads with 175 MSME parks, backed by incentives like 25–45% subsidies and concessional loans.

Central and state actions are advancing via schemes like CGTMSE, OCEN, Credit Card scheme, AP-specific cluster initiatives.

## **5. Skill Gaps identified in the MSME Sector in Andhra Pradesh:**

### **1. Manufacturing Sector**

- Skill Gaps:
  - Lack of expertise in CNC operations, welding, industrial automation, and quality control.
  - Limited exposure to lean manufacturing and safety standards.
- Employment Opportunities:
  - High demand in automobile, electronics, and food processing units.
  - Growth in MSME clusters around Visakhapatnam, Chittoor, and Anantapur.

### **2. Construction Sector**

- Skill Gaps:
  - Shortage of trained masons, electricians, plumbers, and site supervisors.
  - Poor knowledge of modern construction techniques and safety norms.
- Employment Opportunities:
  - Rising demand due to urban infrastructure projects and housing schemes.
  - Jobs in smart city development and green building projects.

### **3. IT & Electronics**

- Skill Gaps:
  - Limited proficiency in AI, cybersecurity, cloud computing, and full-stack development.
  - Weak digital literacy in semi-urban and rural areas.
- Employment Opportunities:
  - Expanding IT parks in Amaravati, Tirupati, and Vizag.
  - Remote work and freelancing roles in software services and tech support.

### **4. Agriculture & Allied Activities**

- Skill Gaps:
  - Low awareness of agri-tech, organic farming, and post-harvest management.
  - Poor integration with digital platforms for market access.
- Employment Opportunities:
  - Jobs in food processing, agri-export, and cold chain logistics.
  - Scope for entrepreneurship in dairy, fisheries, and horticulture.

### **5. Tourism & Hospitality**

- Skill Gaps:
  - Inadequate soft skills, and digital booking systems.
  - Lack of trained guides and eco-tourism professionals.
- Employment Opportunities:
  - Growth in religious tourism (Tirupati, Srisailem) and coastal tourism (Kakinada)
  - Jobs in hotels, travel agencies, and event management.

### **6. Healthcare**

- Skill Gaps:
  - Shortage of paramedics, lab technicians, and home care providers.
  - Limited training in telemedicine and elderly care.

- Employment Opportunities:
  - Demand in primary health centers, diagnostic labs, and telehealth startups.
  - Scope for medical tourism and wellness centers.

## 7. Retail & Logistics

- Skill Gaps:
  - Lack of trained staff in inventory control, POS systems, and last-mile delivery.
  - Poor understanding of e-commerce platforms.
- Employment Opportunities:
  - Jobs in warehousing, delivery services, and retail chains.
  - Growth in online marketplaces and logistics startups.

## 8. Renewable Energy

- Skill Gaps:
  - Limited workforce trained in solar panel installation, maintenance, and energy auditing.
  - Lack of awareness about green energy certifications.
- Employment Opportunities:
  - Jobs in solar farms, wind energy projects, and energy efficiency consulting.
  - Scope for green entrepreneurship in rural areas.

## 9. Agro-processing

- Skill Gaps:
  - Low awareness of agro-processing and post-harvest management.
  - Poor integration with digital platforms for market access.
- Employment Opportunities:
  - Jobs in agro-processing, agri-export, and cold chain logistics.
  - Scope for entrepreneurship in dairy, fisheries, and horticulture.

## 6. Brief overview about MSME Sector performance in Andhra Pradesh:

- Andhra Pradesh (AP) is a leading destination for industrial investment in India. AP offers world class industrial ecosystem with industrial sector contributing ~23.5% in the state's Gross Value Added (GVA). AP offers rich demographic dividend with 70% of state's population in the working age group. Well-developed and balanced industrial ecosystem across the state with the presence of 3 industrial corridors and industrial area spread in 46,300 acres area around the same. The state is well positioned to leverage its natural resources, locational advantage, and young population to drive growth in MSME sector.
- From 2019 till 2023 state has performed remarkably well to strengthen its MSME ecosystem. MSME registration has grown at a CAGR of 59% during this period, Consequently, there are more than 2 Lakhs MSME units operational in the state with a capital commitment of more than INR 24,000 Cr, generating employment opportunities to more than 12.5 lakh individuals.
- The state has a good industrial base in pharma, electronics, food processing, textiles, and automotive set up over several decades. State offers a robust ecosystem for industrial activities with the availability of world class industrial infrastructure and skilled labour. In order to provide skilled labour to industry the state offers 34 Polytechnic courses, 33 ITI courses. GoAP is also setting up 2 technology centers in Visakhapatnam (already operational) and Koppa (approved).

- In order to support MSMEs, Government of Andhra Pradesh is developing APMSMEONE, as one stop solution to further strengthen the MSME ecosystem in the state.

### ***Brief overview about APMSMEONE Platform.***

#### **1. Key objectives of AP MSME ONE:**

AP MSME ONE will further advance the growth of MSME sector in the State. It is envisaged to impact the MSME ecosystem in the state, over the next 4 years, with the following quantifiable targets:

<b>Sr. No</b>	<b>Parameters</b>	<b>Impact</b>
1	Number of additional MSMEs to be Formalised (Udyam Registered)	20 lakh
2	Number of new MSMEs to be established	2.08 lakh
3	Incremental Investment from the MSME sector	~ INR 54,000 Cr.
4	Incremental Employment Potential	20.34 lakh
5	Incremental Credit Demand	~ INR 25,000 Cr.
6	Expected Growth in Export	~ USD 40 Bn (@20% CAGR growth)

In order to achieve the above-mentioned targets various interventions will be made by the AP MSME Development Corporation, which is also the State nodal agency, for AP MSME One portal.

#### **2. Key Stakeholders:**

In order to ensure success of this new venture, following stakeholders will play an instrumental role:

1. Financial Institutions
2. MSME / Industry Associations
3. CPSEs/ PSUs for public procurement interventions
4. MSME Entrepreneurs
5. Officers concerned with GeM and Udyam registration
6. Concerned State and Central Govt officers from MSME sector

### 3. Key- Interventions:

AP MSME Development Corporation (AP MSME DC) is implementing the interventions (suggestive list below) to map various identified beneficiaries:

1. Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE)
2. Micro and Small Enterprises - Cluster Development Programme (MSE-CDP)
3. Prime Minister's Employment Generation Programme (PMEGP)
4. Entrepreneurship Skill Development Programme (ESDP) Scheme
5. PM Viswakarma

In addition to the above, AP MSME DC is rolling out new interventions with the support of Andhra Pradesh Government and Central Government. The interventions are envisaged to formalize the MSME sector and bring better coherence in various schemes so that they reach the right set of beneficiaries.

Sr. No	Intervention	Components
1	Formalization of MSMEs Udyam Registration	<ol style="list-style-type: none"> <li>1. Conducting statewide survey to identify unregistered MSMEs</li> <li>2. Udyam registration for the MSMEs</li> </ol>
2	Creation of supporting Business Development Service (BDS) Ecosystem in State	<ol style="list-style-type: none"> <li>1. Procurement and empanelment</li> <li>2. Training / Entrepreneurship Awareness Program</li> </ol>
3	Entrepreneurship & Skill Development Program (ESDP) with special emphasis on Women & SC/ST	Conducting various ESDP Programs
4	Procurement and Marketing Support	<ol style="list-style-type: none"> <li>1. <b>Market Access Initiatives:</b> <ol style="list-style-type: none"> <li>a. Vendor Development Program (VDP) (CPSE level VDP cum exhibition of products Conventional)</li> <li>b. Participation of individual MSEs in Domestic Trade Fairs (CPSE level VDP cum exhibition of products Conventional)</li> </ol> </li> <li>2. <b>Capacity building of MSMEs:</b> <ol style="list-style-type: none"> <li>a. Cluster based Modern/ Green Packaging Technique / Branding Intervention</li> </ol> </li> </ol>
5	Export Promotion Programs	Buyer Seller Meet
6	Trade Receivable Discounting System (TReDS)	<ol style="list-style-type: none"> <li>1. Awareness Creation Programs for MSMEs</li> </ol>

		2. Sensitization for Large Industries - CPSES- Govt. Departments
7	Zero Effect-Zero Defect (ZED) Certification	1. Capacity Building/Training Programs 2. Awareness Creation Camps for Sustainable ZED Certification
8	Competitive (Lean) Certification	1. Capacity Building 2. Training Programs and Awareness Creation Camps
9	Innovative - Intellectual Property Rights (IPR)	1. Constituting IPR Facilitation Councils 2. Awareness Creation Workshops/ Seminars on IPRs for MSMEs
10	AP MSME One Monitoring & Evaluation Dashboard	Development of AP MSME ONE platform

**Source:**

<https://apmsmeone.ap.gov.in/MSMEONE/Public/AboutAPMSMEONE.aspx#gsc.niti.gov.in, apiic.in, msme website>

**7. Major GoI/GoAP MSME Schemes in Andhra Pradesh:****1. SEEDAP (Society for Employment Generation and Enterprise Development in Andhra Pradesh)**

SEEDAP is the nodal agency for implementing both central and state government skill development programs. Its goal is to provide at least one employment opportunity per poor rural household.

**Key Programs under SEEDAP:**

- DDU-GKY (Deen Dayal Upadhyaya Grameen Kaushalya Yojana): Targets rural youth aged 18–35, especially school and college dropouts, offering market-driven training for wage employment
- Sagarmala: Focuses on skilling youth in the Port & Maritime sector, especially in coastal communities
- SRTTP (Skill Retail Training Program): Tailored for the retail industry, with direct placements post-training
- Direct Placements: Connects job-ready youth with industries through job fairs
- Andhra Yuva Shakti (AYS): implemented by SEEDAP to nurture the young talent to become entrepreneurs and self-employed in Agri and allied activities.



- **SANKALP:** Scheme aims to strengthen the skill ecosystem by improving institutional capacities.
- **Green Skilling Program:** Launched in January 2025 by Govt of Andhra Pradesh. It is India's largest green skilling initiative with special focus on renewable energy sector (including solar and wind energy, energy auditing and sustainable technologies). It aims to generate 7.5 lakh jobs as position the state as global hub for green talent.
- **15 Days Skill Up-gradation Training:**  
This scheme was launched by the Andhra Pradesh Building and Other Construction Workers Welfare Board, provides skill training and safety education to construction workers.

2. Schemes by APSSDC (Andhra Pradesh State Skill Development Corporation):

- **Naipunyam portal:** Centralized platform for skill registration, training, and placement tracking in the state of Andhra Pradesh.

(Source: SEEDAP website,, [naipunyam.ap.gov.in](http://naipunyam.ap.gov.in))

**8. Skilling Agencies for MSME Development in the state:**

1. Andhra Pradesh State Skill Development Corporation (APSSDC):

Focus area- Promotes skill development and entrepreneurship in Andhra Pradesh.

Objective- Offers skill development programs to internal and external students.

2. SEEDAP (Society for Employment Generation and Marketing in Andhra Pradesh):

Focus area- Skilling rural unemployed youth, with a focus on school and college dropouts, for wage employment, self-employment, and entrepreneurship.

Objective- To provide at least one employment opportunity to every poor rural household.

3. APITCO (Andhra Pradesh Industrial and Technical Consultancy Organisation Limited):

Focus area- Implementing skill development initiatives through theoretical learning, practical training, and industry exposure.

Objective- To provide Mentorship and placement support.

4. APIIC (Andhra Pradesh Industrial Infrastructure Corporation):

Focus areas- Developing infrastructure facilities for development of industries, to implement schemes formulated by Govt. of Andhra Pradesh)

Objective- To undertake the activities in industrial, commercial and financial space which will create conditions conducive to the growth of industries in the state of Andhra Pradesh.

5. GMR Varalakshmi Foundation.

Focus area- Provide skill development training programmes to youth and women towards entrepreneurship and livelihood development.

Objective- To undertake participatory, holistic development initiatives in communities and strengthen them to be self-reliant.

### Number of Sector wise startups in the State:

1. AI -09
2. Logistics-02
3. Construction-09
4. Telcom-01
5. Renewable Energy-01
6. Agriculture – 06
7. IT-11
8. Travels & Tourism – 04
9. Health care & Insurance – 10
10. Automotive – 01
11. Security Solution -02
12. Education – 06
13. Green technology – 02
14. Robotics-01
15. Food & Beverage-06
16. Marketing & Professional Service – 13
17. Real Estate – 01
18. IOT-01
19. Chemical- 01
20. Fashion – 01
21. Non-Renewable Energy – 01
22. Fin Tech – 02
23. Hardware Solution – 04
24. Human Resource – 04
25. Event Management - 02

(Source:

<https://www.startupindia.gov.in/content/sih/en/search.html/AndhraPradesh?states=5f48ce592a9bb065cdf9fb20&roles=Startup&page=13#>)

### 9. Recent Developments in the MSME sphere:

- **Udyam Registration:**
  - Replaces the previous process of filing of Udyog Aadhaar Memorandum.
  - Existing and prospective entrepreneurs may file online registration on the portal: <https://udyamregistration.gov.in>.
- **MyMSME Portal:**
  - A web-based application for accessing various schemes launched by the office of development commissioner (MSME).
  - Available as a mobile app for entrepreneurs to apply and track their applications.
- **MSME SAMPARK:**
  - A job portal connecting passed-out trainees/students from MSME Tool Rooms & Technical Institutions with recruiters.
- **CHAMPIONS Portal:**
  - Launched by Hon'ble Prime Minister on 1st June 2020.
  - CHAMPION stands for Creation and Harmonious Application of Modern process for Increasing the Output and National Strength.

- ICT-based system to help smaller units grow by providing guidance and support.
- **Entity DigiLocker:**
  - Announced in Budget 2022-23.
  - For MSMEs, large businesses, and charitable trusts to store and share documents online securely.
- **Revamped Credit Guarantee Scheme:**
  - Effective from 1st April 2023.
  - Infusion of ₹9,000 crore in the corpus to enable additional collateral-free guaranteed credit of ₹2 lakh crore.
  - Reduces credit cost by about 1%.
- **Unified Skill India Digital Platform:**
  - To enable demand-based formal skilling.
  - Linking with employers including MSMEs.
  - Facilitating access to entrepreneurship schemes.

#### 10. NABARD's Initiatives for development of Rural MSME sector:

Initiative	Target beneficiaries	Eligible institutions	Maximum Grant assistance	Purpose
Off Farm Producers' Organisation (OFPO)	Artisans, weavers and other rural producers.	Trusts, Societies and other NGOs, Companies (Including Section 8 Companies), SHG Federations, Cooperatives (including WCS, PACS), Government Agencies (KVKs, other Government Agencies working in off-farm sector) Community Based Organizations in TDF/WDF Areas	Major OFPO (200 to 500 artisans) : ₹125.00 lakh Mega OFPO (More than 500 artisans) : ₹185.00 lakh Participatory OFPOs (200 to 500 artisans) : ₹50.00 lakh	To create sustainable value chain, improvement in production, capacity building & hand holding, expanding their market reach and improve their income levels.
Rural Haat	Farmers, Artisans, weavers and other rural producers, Vendors etc.	Elected Gram Panchayats or equivalent institutions like Village Councils. Primary Agriculture Credit Societies (PACS), Producer Organizations of both farm and off-farm sector (FPOs, OFPOs), NGOs, Rural Cooperative Societies CSR Entities	₹ 15.00 Lakh (for construction) ₹ 0.45 Lakh (for facilitation charges)	For creation /upgradation of basic infrastructure in Rural Haats in all rural areas like platforms with raised roof top, drinking water facility, washrooms etc.

Rural Mart (Physical & Mobile van)	SHG members, Artisans, weavers and other rural producers, Vendors, Farmers etc.	SHG Federations, Producer Organizations/ Producer Groups / Artisan Clusters /Weaver Clusters PACS, Rural Cooperative Societies, Farmer Club Federations Community based organizations in TDF/WDF areas	₹6.50 Lakh	A Rural Mart is a retail marketing outlet for producers /artisans/weavers to sell their locally made products._
Skill Development Programme (SDP)	Rural unemployed youth	Corporates, Companies (Proprietary/Partnership/ Pvt Ltd/ Public Ltd., etc) including Section 8 Companies, NBFC, Private Companies as part of Corporate Social Responsibility (CSR). NGOs, Trusts, Registered Community Based Organisations	Maximum per trainee per hour cost can be considered upto: Rs. 49.00/- for Non residential programmes Rs. 88.00/- for residential programmes. Duration : Minimum 4 weeks to Maximum 6 months	Capacity Building, Skill Development & Upgradation, Generating self and wage employment._

## 11. Challenges in the MSME Sector:

### 1. Limited Formal Credit Access

- Only 19% of MSME credit demand is met through formal channels
- In Andhra Pradesh, rural and semi-urban MSMEs are especially underserved due to lack of banking infrastructure.

### 2. High Perceived Risk by Lenders

- MSMEs are often seen as high-risk borrowers due to:
  - Lack of collateral
  - Limited credit history
  - Informal business practices

### 3. Fragmented and Informal Operations

- Many MSMEs operate without proper documentation or financial records, making it hard for banks to assess creditworthiness

### 4. Urban Bias in Lending

- Credit is concentrated in urban clusters, while Tier 2 and Tier 3 cities (like many in Andhra Pradesh) face a severe credit crunch

### 5. Gender and Sectoral Disparities

- Women-led MSMEs face a 35% credit gap, higher than the national average

- Sectors like retail, auto components, and electronics are more affected
6. Outdated Lending Norms
- Traditional banks follow rigid procedures, unsuitable for MSMEs needing small-ticket, fast-disbursal loans
7. Lack of Awareness and Financial Literacy
- Many MSME owners are unaware of schemes like CGTMSE or Mudra loans, limiting their access to subsidized credit
8. Limited Venture Capital and Fintech Attention
- Venture capital and fintechs often focus on scalable startups, leaving traditional MSMEs behind

## **12. Opportunities to improve NABARD's involvement in the MSME sector :**

### **1. Entrepreneurship development:**

More focus can be given on exploring DPR projects as per our guidelines in nurturing and developing Entrepreneurial ecosystem in the MSME sector with special focus on food processing sector, Tourism and Hospitality and Renewable Energy sector.

Other areas:

1. Agri-Startups Support: Expanding NABARD's collaboration with incubators like a-IDEA to promote rural and Agri-based startups
2. Rural Innovation Hubs: Establishing district-level hubs to mentor and fund local entrepreneurs, especially in agriculture and allied sectors.
3. Women Entrepreneurship Programs: Launching more targeted schemes for women-led MSMEs, addressing credit and training gaps.

### **2. Skilling and Capacity Building:**

The existing Skill Development Programs (SDPs) of NABARD may be enhanced and new training programs may be conducted in new areas where there is more skill gap like Food processing, Manufacturing sector and IT and electronics.

Other areas:

1. Skill-Linked Credit Schemes: Tie up of credit disbursement with certified skill training to ensure better utilization and repayment.
2. Partnerships with ITIs and Polytechnics: Funding skill development programs aligned with local industry needs, especially in Tier 2/3 towns.
3. Digital Literacy Drives: Promoting digital tools for bookkeeping, marketing, and compliance among MSMEs.

### **3. Technology Upgradation:**

The existing LEDP and MEDP programs of NABARD can be further rechristened to provide technological training as per current needs helping artisans to be employable in the MSME sector.

1. Tech Modernization Grants: Providing subsidized loans or grants for upgrading machinery and adopting green technologies.
2. Digital MSME Platforms: Supporting platforms that help MSMEs adopt e-commerce, ERP, and CRM tools.

3. Cluster-Based Tech Support: Facilitating common facility centres with modern equipment for MSME clusters.

#### 4. Policy and Institutional Support:

The Grameen Emporium Scheme which is under formulation stage will be a good initiative in ensuring the sales and uplifting livelihoods of artisans in urban and semi-urban areas.

1. Alternative Credit Models: Promoting data-driven credit evaluation using digital footprints instead of traditional collateral
2. MSME Credit Facilitation Cells: Setting up NABARD-led cells in rural banks to guide MSMEs on schemes and documentation.
3. Monitoring & Impact Evaluation: Using tech tools to track outcomes of NABARD-funded MSME projects for better policy design.

#### 5. Collaboration between MSME enterprises, NGOs and govt departments in promoting Rural Tourism in the state:

The Gram Vihar scheme of NABARD may facilitate collaboration between the stakeholders and make MSME enterprises inclusive in promoting Rural Tourism by providing Technical and capacity building support services.

6. Rural Business Incubation Centre (RBIC): Supporting for establishment of Incubation Centre by NABARD may provide a platform for establishment, graduation and promotion of startups in the MSME ecosystem.

### 13. Suggestions to strengthen existing MSMEs/ MSME Eco system:

1. Sector specific cluster development: Expanding MSME clusters in **textiles, food processing, electronics, and auto components**. These clusters can share infrastructure, logistics, and marketing platforms, to reducing operational costs and improving competitiveness.

#### 2. Disaster Insurance schemes:

Introducing state backed insurance schemes for MSMEs to recover from natural calamities (Tamil Nadu has implemented the same)

#### 3. Developing Plug and play industrial parks:

Develop **ready-to-use industrial parks** with essential utilities like power, water, and internet. This helps MSMEs start operations quickly without heavy upfront investment in infrastructure.

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