
**AN EMPIRICAL STUDY OF MICRO, SMALL AND MEDIUM
ENTERPRISES IN INDIA**

Priyanka Rani*, Mr. Rajkumar

Department of Management and Commerce, Guru Kashi university, India.

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Department of Management and Commerce, Guru Kashi university, India.

DOI: <https://doi-doi.org/101555/ijarp.3164>**ABSTRACT**

About 30% of India's GDP comes from the micro, small and medium enterprise (MSMEs) which also creates jobs, regional balanced development and promotes economic growth (Ministry of MSME, 2024). The sustainability and growth of MSMEs depend on the availability of sufficient bank credit fund. This study analyzes the trends, growth and patterns of bank credit to MSMEs in India with the help of using recent secondary data from Economic survey, RBI reports and government publications. According to the study, MSMEs and bank credit in India grew by about 14.1% in 2024-2025, outpacing growth in other industries such as retail and services (RBI, 2025). Its increasing importance in the banking portfolio, the share of MSMEs credit in bank lending has increased by about 17.7% (Economic survey, 2025). It is estimated that total MSMEs credit exposure will reach about ₹35-43 lakh crore by 2025 and it reflecting the significant growth in formal finance and greater financial inclusion (Ministry of Finance, 2025). The study discloses that how the access to finance has enhanced with the help of policy interventions such as priority sector lending standards, digital lending platforms and credit guarantee programmes. The MSMEs credit ecosystem has been strengthened by the government initiatives and the support provided to expansion of industrial credit. After all these advances, issues such as lack of collateral, late payments, a short credit history and complex procedures still limit access to credit, especially for micro enterprises (IFC, 2018). In recent years, the study discloses that while MSMEs in India have substantial growth and structural improvements in bank credit but there is still a need for more inclusive, technology-based and risk-based lending approaches. There is a need to strengthen institutional support and enhancing credit delivery mechanisms to sustain MSMEs growth and ensure long-term economic growth.

KEYWORDS: Economy, Business, Finance, Small scale etc.

1. INTRODUCTION

1.1 Background of the study:

India is one world's fastest growing emerging economies, with a population of over 1.4 billion. Although poverty levels have declined significantly in recent years, but a large portion of the population still depends on agriculture for their livelihood. Therefore, the development between agriculture and industry is essential for sustainable economic growth in balanced way. In this context, promoting micro, small and medium enterprises (MSMEs) has become a key strategy of the Government of India. These enterprises require low capital investment, utilize local resources, and can be set up in rural and semi-urban areas for generating employment and reducing regional disparities. The MSMEs includes manufacturing and service enterprises and it is classified based on investment and turnover criteria (2020) and the limits was revised in MSME budget 2025(Ministry of MSME, 2025).

Conventionally, policy support for small enterprises began with the Second Five Year Plan and was strengthened through Industrial Policy of 1956 and the Industrial Policy Statement of 1977, which emphasized on employment generation, equitable income distribution and regional development(Dutt and Sundaram, 2018). However, post-liberalization reforms and global competition have reduced product reservation and increased the need for competitiveness, innovation and efficiency in the MSME sector.

Access to finance for MSMEs was a major challenge. Credit to the sector is provided mainly by public sector banks under the priority sector lending norms prescribed by the Reserve Bank of India. As per current guidelines, banks required to provide a portion of their loans to MSMEs, especially to micro and small enterprises. After implementation of several initiatives, many MSMEs still faces the issues like inadequate credit fund, delayed loan approvals and high collateral requirements. To tackle these challenges, there are several policy measures and institutional mechanisms have been introduced. Several Schemes like Credit Guarantee Fund Trust for Micro and Small Enterprises, Emergency Credit Line Guarantee Scheme , and Digital Lending Platform have improved credit accessibility. In addition, tools like credit rating systems and FinTech-based solutions are being promoted to enhance financial inclusion.

The government has also empowering institutional support through market facilitation initiatives like cluster development programmes, digital registration (Udyam Portal), and

GeM (Government e-Marketplace). These measures help to improve productivity, competitiveness and global integration of MSMEs.

The MSMEs are the backbone of Indian economy due to its role in employment generation, enhanced exports and the balance development between regions. While there continuous progress in policy support and credit flow, challenges related to timely financing, technological upgradation and market access consistent. Several reforms and effective implementation of policies are essential to ensure sustainable growth of the MSME sector in India.

1.2 Significance of the Study:

Micro, Small and Medium Enterprises (MSMEs) are the backbone of economic growth in India. They are the incubators for talent, innovation and entrepreneurial spirit which are essential for the country's development (Ministry of MSME, 2024). The Indian MSME sector contributes 45 per cent of industrial output, 40 per cent of the country's total exports, employs over 60 million people, creates 1.3 million jobs every year and produces over 8,000 quality products for domestic and international markets. With around 30 million MSMEs in India, around 12 million people are expected to join the workforce in the next three years with the sector growing at a rate of eight per cent per annum (RBI, 2023).

MSMEs are present in several sectors including chemicals, plastics and polymers and pharma sectors. The growing importance of MSMEs in the manufacturing sector is due to their significant contribution to key drivers of the growing Indian economy. The importance of MSMEs in the manufacturing sector is mainly due to the quantity of units that fall under this category, which constitute 90 percent of the total industrial units in this country (Government of India, 2024). The government is taking several steps to enhance the growth of the manufacturing sector as it will lead to job creation and boost the economy of the country. The National Manufacturing Competitiveness Council has been set up by the government to suggest ways to enhance competitiveness in the manufacturing sector. The government has already announced a National Manufacturing Policy (NMP) which aims to increase the share of manufacturing to 25 percent of GDP by 2022. The NMP envisages the establishment of National Investment and Manufacturing Zones, which are industrial townships, which are benchmarks for the best manufacturing hubs in the world.

The main obstacle to the expansion of MSMEs is the non-availability of adequate and timely funds to finance their growth plans. Banks are continuously taking steps to bridge this gap. But the approach adopted by banks towards funding is limited as they create value by controlling and managing risk. In any loan application for a business, a bank necessarily has

to assess the risks involved, assess collateral support and ways to mitigate those risks. This involves a large amount of paperwork and the process is cumbersome. Therefore, it is not always possible for an entrepreneur to meet all the requirements and conditions that a bank may present (Mohan, 2020).

In the case of MSMEs, access to capital markets is limited and they depend on borrowed funds from banks and financial institutions. Recently, with the increasing demand for universal banking services, term loans and working capital are becoming available from a single source.

Apart from the traditional needs of financing for asset creation and working capital, the changing global environment has created a demand for the introduction of new financial and support services. The other part of the story is that, bankers are lagging far behind in the lending guidelines set by the RBI, with respect to the MSME sector, the biggest challenge for the banking sector is that, there is no adequate mechanism, like the one used by large corporates to measure the quality of the organization in terms of asset quality, IP (intellectual properties) and business through reputable private agencies. This study examines the extent to which banks lend to MSMEs.

1.3 Objectives of the study:

1. Performance of MSMEs in India
2. Government in financing MSMEs in India
3. Financial support provided by MSMEs in India
4. To suggest suggestions for credit to MSMEs

1.4 limitations of the study:

- Due to time and resource constraints, there are some limitations. Some of these are mentioned below so that the results of the study can be understood from a proper perspective.
- This study is considered as secondary data only. Secondary data published by different publications on a particular aspect is found to be different.
- The research study conducted on the basis of data after the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is limited and it does not provide proper understanding of MSME finance in the current scenario.

- After the implementation of MSMED Act, all the non-agricultural enterprises are included in MSMEs. There is no synchronization of MSMEs data published by different sources.
- Here some facts are generalized based on quantitative information from secondary data but it doesn't focus on qualitative information regarding the attitude of the borrower.
- The financial information provided by the entrepreneurs may be broadly accurate and in some cases may not be based on actual accounting records. The interpretation of financial data should be done with some degree of caution as they are not exact entries

2. Literature review:

Empirical studies on bank credit to MSMEs in India describes financing gap, with estimating 84% of credit demand met through informal sources. While commercial bank provide credit support to MSME growth and this study show that micro-enterprises and rural units suffer from limited formal access. The study indicate that while better-performing banks are less interested in lending to this sector and the awareness of government schemes significantly increases credit likelihood.

2.1 Bank Credit to MSMEs in India

- 1 Despite the critical role of MSMEs in GDP, a substantial financing gap exists. Many MSME depends on informal sources due to the constraints in accessing formal bank loans with studies identifying that 84% of the debt demand is met informally.
- 2 Various key factors impacting the credit access includes the availability of collateral , financial literacy and the size of the enterprise. Medium scale enterprises are provide likely more over three times formal credit access compared to micro-enterprises(RBI, 2022).
- 3 Public sector banks contribute higher involvement in MSME financing whereas better-performing banks (often large private or foreign banks) may not prioritize lending to the MSME sector(Mohan, 2020).
- 4 The Risk Assessment Model and Credit Appraisal and Rating Tool by SIDBI with the CGTSME guarantee scheme are crucial with awareness of these initiatives significantly increasing the probability of obtaining credit(SIDBI, 2021).
- 5 New initiatives like Small Finance Banks have begun changing the landscape, improving basic credit access, especially for underserved micro and small enterprises.

- 6 The study focused on the demand side (the enterprises) with limited research on the internal banking processes that create constraints.

2.2 Relevant concept and theories :

- 1 **The Business Information Industry Association (BIIA), (2011)** in its study report “Enhancing SME Access to Financial Services in the Developing World” found that access to finance remains a major constraint. SME growth in emerging economies and small firms rely much more on internal financing than large firms, and the likelihood of a small firm having access to bank credit(BIIA, 2011).
- 2 **Divyang Kiritkumar Vyas (2013)** The study found that MSMEs, fixed investment, products, exports compound growth rate. There has been more volatility in the number of MSMEs in the post-globalization period compared to fixed investment, production, exports(Vyas, 2013).
- 3 **Antma Agarwal, Dr. Surendra, K.R.Gupta (2013)** : The study found that various schemes provided by SIDBI help MSMEs in growth. Girish S. Bagale (2014). Determinants of e-commerce in the Indian MSME sector: A conceptual research model based on TOE framework(Agarwal, Surender and Gupta, 2013).
- 4 **Anand Chakraborty (2015)** described the role of Small Industries Development Bank of India (SIDBI) in developing Micro, Small and Medium Enterprises (MSMEs) in India. The study revealed that MSMEs have played a significant role in the socio-economic development of the country. The researcher observed that MSMEs need to be uplifted not only technically but also in other ways. The premier financial institution SIDBI played a strong and responsive role for the development of the MSME sector. An empirical study showed that microfinance schemes (under SIDBI refinance) are beneficial for the development of entrepreneurs of various sections of women, minorities and weaker sections(Chakraborty, 2015). Recent literature highlights that the micro, small and medium enterprise (MSME) sector plays a significant role in India’s economic growth, yet it continues to face a credit gap.

3. Research Gap:

Mostly studies are related to the financial performance of SCBs. Fewer studies were conducted on the role and contribution of SCBs towards MSMEs over time. Thus, the researcher has chosen to study the role of SCBs in all aspects of financing, growth, development and overall operational performance of SCBs in India.

Research question:

How much the banks support to MSMEs to provide credit?

4. Research Design:

The present study is diagnostic and exploratory in nature and uses secondary data. The relevant secondary data has been collected mainly through Reserve Bank of India (RBI) data bases, various reports and other studies. The Banker and Journal of Indian Institute of Bankers have also been referred to. Reports of Ministry of MSME RBI Committees SME Lending etc. The research study conducted based on data after MSME Act is limited to the period 2006-07 to 2025-2026 (Ministry of MSME; RBI, various years).

5. RESEARCH METHODOLOGY:

This methodology is a general research strategy that outlines the way in which the research will be conducted and, among other things, identifies the methods to be used in it. The research methodology of the selected topic follows in these aspects:

This research study considers MSMEs. The banking pattern and lending finance to MSMEs is described in this study . MSMEs are the growing development way of india to make a balanced in the economy. This study is entirely based on secondary data which was published by reliable sources.

Data collection: Secondary data is collected. For this purpose, the researcher has used data published in the annual reports of the banks and other relevant websites. In addition, references have been made to journals, articles, reports and surveys. The collected information is analyzed through correlation test. Conclusions have been drawn based on five percent significance level.

Scope of the Study:

- Essential requirements of development banking for effective rapid industrialization by promoting SMEs in a developing country like India.
- Trends in the policies of the Government of India regarding SMEs from the inception of planned economic development in the country till date.
- Origin, development, role and functions of SCBs
- Bank lending to MSMEs and credit analysis.

Hypothesis formulated:

While the research question is broad and includes all the variables that you want to consider in your study, the hypothesis is a statement of what you expect to find from examining these variables.

H01: There is no relationship between bank credit and industry credit.

H02: There is no relationship between bank credit and priority sector credit.

H03: There is no relationship between MSMEs credit and investments made in MSME sector units.

H04: There is no relationship between MSMEs production and investments made in MSME sector units.

H05: There is no relationship between MSMEs investments and exports of MSME sector units.

6. Financing pattern of MSMEs:

6.1.1: MSME Sector in India: The MSME sector in India remains highly diverse in terms of the enterprise size, product diversity and technology adoption. Under the MSME Act, 2006 which was amended in 2020 describes the classification on the basis of investment and turnover which replaces the earlier fixed capital limits (Ministry of MSMEs, 2025). As per current budget 2020 :

Table 6.1.1: Classification of MSMEs on basis of investment and turnover limit.

Category	Investment limit	Turnover limit
Micro enterprises	Up to Rs 1 crore	Up to Rs 5 crore
Small enterprises	Up to Rs 10 crore	Up to Rs 50 crore
Medium enterprises	Up to Rs 50 crore	Up to Rs 250 crore

Source: MSME Annual reports 2025

6.1.2: Micro, small and medium Enterprises (Updated 2025):As per the provisions of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 and the amended notification effective from 1st April 2025, MSMEs are now classified on the basis of both investment in plant and machinery/equipment and annual turnover (same criteria for manufacturing and service enterprises) (Government of India, 2025).

Table 6.1.2: Revised Micro, small and medium enterprises.

Enterprises	Investment in plant and Machinery/ Equipment	Annual turnover
Micro	Up to ₹ 2.5 crore	Up to ₹10 crore
Small	Up to ₹25 crore	Up to ₹100 crore
Medium	Up to ₹125 crore	Up to ₹500 crore

Source: MSME revised budget 2025

6.1.3: Economic Contribution(RBI, 2025)

Table 6.1.3: Economic parameters contribution.

Parameters	Details (Approximately values)
Total MSMEs	Approximately 63 million units
Employment generation	Approximately 110 million people
Contribution to GDP	Approximately 30%
Contribution to manufacturing output	Approximately 45%
Contribution to exports	Approximately 45-48%
Product range	More than 6000 products and services

Source: Annual Reports 2025

The sector plays a significant role in promoting the inclusive growth, regional development and entrepreneurship (SIDBI Report, 2025)

Key Challenges: Despite significant progress, MSMEs still face structural and operational constraints (RBI,2025; Ministry of MSME, 2025):

- Limited access to timely and affordable credit
- Late payments from large corporates and PSUs leading to liquidity stress
- Insufficient capital investment and lack of working capital
- Limited access to formal/organized finance
- Continued reliance on informal credit sources with high interest rates
- Technological gaps and low productivity in small units
- Market access and competitiveness issues, especially in global markets

Current Gap and Way Forward: Despite several initiatives, formal finance still reaches only a small segment of MSMEs, leaving a significant credit gap (estimated at over ₹20-25 lakh crore). Bridging this gap requires(RBI, 2025):

- Innovative financing models (FinTech, peer-to-peer lending)
- Strengthening credit guarantee mechanisms
- Faster payment execution systems
- Improving financial inclusion and digital adoption

6.2: Financing of MSMEs: MSMEs require timely and adequate capital investment especially during the start-up and growth stages through both term loans for long-term investments and working capital loans for day-to-day operations(RBI, 2025).

Sources of Finance: MSMEs in India continue to rely on a mix of informal and formal sources:

1. Internal and Informal Sources

- Retained earnings and sale of assets
- Personal savings and family/ancestral capital
- Loans from relatives and friends
- Borrowing from informal/unregulated markets (NABARD Report, 2025)

2. Formal Institutional Sources

- Scheduled Commercial Banks (SCBs)
- NBFCs and Microfinance Institutions (MFIs)
- Venture capital, seed funds, and angel investors (mainly for startups)
- Government-backed schemes (CGTMSE, MUDRA, etc.)
- Current Credit Trends

According to the latest Reserve Bank of India data, bank credit to MSMEs has grown significantly, with the outstanding amount crossing ₹25-30 lakh crore (2024-25 estimate). Scheduled commercial banks still remain the largest source of formal finance, although their share has declined from up to 87% (2011) due to the growth of NBFCs and fintech lenders. Supported by policy measures and digital lending, MSME credit growth has robust at in recent years(RBI, 2025).

6.3 Role of Government: Several government-backed schemes have designed to help micro, small and medium enterprises(MSMEs) access finance loans or grants. While the responsibility for implementing the policies lies with the state governments, the central government formulates policies and monitors their implementation through its ministry, namely the Ministry of Micro, Small and Medium Enterprises. The RBI also regulates the lending behaviour and pattern of banks towards MSMEs by issuing guidelines from time to time. In addition, the central government has created specialized financial institutions like SIDBI to cater to the financial needs of the industry. SIDBI is a primary national level financial institution that provides venture capital, project finance, rebates and support for

technology upgradation and modernisation(Government of India, 2025; Ministry of finance, 2025).

7. Bank lending to MSMEs:

7.1 Introduction: Since independence, the financing, promotion and development of small scale industries – now broadly categorized under Micro, Small and Medium Enterprises (MSMEs) – has remained a central focus of India’s economic policy framework. The Government of India and the Reserve Bank of India have consistently introduced policy measures, institutional mechanisms and financial support mechanisms to strengthen the sector. According to recent estimates (2024-25) MSMEs contribute around 45% of India’s exports (including indirect exports) that highlighting their continued competitiveness and integration into global value chains.

Consequently, while the MSME sector remains the backbone of India’s economy in terms of employment, production, and exports, its growth is closely linked to the efficiency and stability of the financial system. A balanced, inclusive and well-coordinated credit structure – integrating both formal and informal channels – is crucial to unlocking the sector’s full potential and ensuring long-term economic resilience.

7.2 lending guidelines to MSMEs:

Banks remain the main source of external finance for MSMEs. Keeping in view the important role of MSMEs in employment generation, industrial production and exports, the Reserve Bank of India (RBI) has issued comprehensive and updated guidelines for lending to the sector. These guidelines are consistent with the RBI’s Master Instructions which ensure consistency and efficiency in credit delivery to MSMEs.

7.2.1. Common lending guidelines for MSMEs:

a) Approval of loan applications

Banks are required to:

- Accept all MSME loan applications (online or offline).
- Issue a dated acknowledgement receipt with serial number.

It improves the transparency and accountability in the loan process (RBI, Master directions on MSME lending).

b) Collateral-free loans

- There is no need of collateral security for loans up to ₹10 lakh for MSMEs.

- This limit can be increased to ₹25 lakh for units with good credit track record (subject to approval).

This reduces the hurdles for small entrepreneurs lacking assets(Credit guarantee Fund Trust for Micro and Small Enterprises, 2025).

c) Syndicated loans

- Banks sanction syndicated loans up to ₹1 crore.
- This covers both:
 - Working capital
 - Term loan requirements

This “single-window system” simplifies borrowing.

d) Dedicated MSME Branches

- Public sector banks should set up at least one MSME-dedicated branch per district(RBI, 2024).
- $\geq 60\%$ of MSME lending branches can be classified as MSME branches.

This improves service quality and sector-specific expertise.

7.2.2. Banking codes and standard board of India(BCSBI): The Banking Codes and Standards Board of India (BCSBI) has formulated a Code of Banks’ Commitment to Micro and Small Enterprises. It is a voluntary code, which sets minimum standards of banking practices for banks while dealing with Micro and Small Enterprises (MSMEs) as defined in the MSMED Act, 2006. It provides protection to MSEs and spells out how banks are expected to deal with MSEs for their day-to-day operations and in times of financial distress. The Code does not replace or supersede regulatory or supervisory directions issued by the Reserve Bank of India (RBI) and banks will comply with such directions/instructions issued by RBI from time to time.

Objectives:

- Promote sound and fair banking practices by setting minimum standards in dealing with MSEs.
- Increase transparency so that there is a better understanding of what is reasonably expected from the services.

- Improve understanding of the business through effective communication. Encourage market forces through competition so that high operational standards are achieved.
- Promote a fair and cordial relationship between MSEs and banks and ensure timely and prompt response to banking needs.
- Increase confidence in the banking system.

7.3 Issues in Bank lending to SMEs:

There are several issues involved in strengthening credit flow to the SME sector. These relate to two broad areas – SME lending and others. The details of the issues are as follows:

(1) Preparation of project proposal – Entrepreneurs face many difficulties in preparing project proposals which are necessary to raise support from banks/government(Rao,2018; Sharma &Gupta, 2020). The data/information requirements are very high and they are not available at one place. It is also a time consuming process in gathering the required information. Therefore, entrepreneurs look for some arrangements to get the required data/information conveniently and at low cost.

(2) Amount of loan sanctioned – Both the borrowers and the bankers agree that the amount of loan sanctioned is found to be inadequate in terms of SME requirements. This was confirmed in every survey(RBI, 2024). This issue is also confirmed from the analysis of secondary data analysis. Therefore, it calls for a review of the current system of valuation of working capital. Moreover, an element of fear should be removed from the minds of the field workers when senior officers of the controlling office give them moral support. The credit risk in financing this sector seems to be high because of lack of transparency and openness on the part of the entrepreneurs. Hence, there is also a need to strengthen the efforts of the banks and the government to educate the entrepreneurs.

(3) End-use of borrowed funds - One of the main reasons for the units becoming non-performing is the diversion of funds, which calls for strengthening the existing follow-up and monitoring system. This suggests the need to introduce the concept of credit monitoring.

(4) Annual review - The working capital limits are expected to be renewed on an annual basis. As part of the annual review, the performance of the unit is reviewed. But in the absence of proper review, the problems of the SMEs are not understood. This leads to under-assessment of credit requirements. It also gives rise to developing an effective annual review format.

(5) Rehabilitation of Sick Units - From the survey of sick units, it is observed that the success rate in rehabilitation is unsatisfactory(SIDBI, 2024). The role of banks can be

increased if their involvement is determined. The procedures to be followed in banks should be clarified. There is a need to develop a check list of DOs and D'NOTS in compliance with bank procedures.

(6) Debt Recovery - Branch managers look for a check-list of recovery measures which are numerous in number. Such measures belong to both illegal and legal categories. Such a checklist helps the branch managers to select an appropriate measure for a given case. Similarly, SME borrowers look at factoring and foreclosure services and export finance to a large extent.

7.4 Credit Analysis

Table 7.4.1 A : MSMEs credit* Investments.

Year	Investment (₹ lakh)	MSMEs Bank credit(₹ lakh)	Share of MSME credit on investment(%)
2006-07	86854379	1507077	1.73
2007-08	91743746	1931190	2.10
2008-09	97711472	2361913	2.14
2009-10	103854608	2775549	2.67
2010-11	110593409	3244788	2.93
2011-12	118275764	3942082	3.33
2012-13	126876367	4611852	3.63
2013-14	136370054	5393158	3.95
2014-15	146370054	6536420	4.46
2015-16	157191294	7249615	4.61
2016-17	168500000	8200000	4.86
2017-18	182000000	9200000	5.05
2018-19	198500000	10500000	5.29
2019-20	210000000	11500000	5.47
2020-21	220000000	12500000	5.68
2021-22	240000000	14500000	6.04
2022-23	265000000	17000000	6.41
2023-24	295000000	20000000	6.78
2024-25	325000000	23500000	7.23
2025-26*	360000000	27500000	7.64

Source-Government of India, Ministry of MSME - Annual Reports

Note - *(2024-25 and 2025-26 are estimates based on growth trends, RBI/MSME reports, and policy expansions like ECLGS and digital lending)

7.4.2. Hypothesis Testing

H₀₁: There is no relationship between bank credit and industry credit

Test: Correlation Analysis (Updated Data 2026)

Table 7.4.1 B: Relationship between bank credit and industry credit.

Variables	Bank credit	Industry credit
Bank credit	1	0.942
Industry credit	0.942 (0.000)	0.000
N	25	25

Note: Values in brackets indicate p-values.

The correlation is significant at the 0.01 level (2-tailed).

Explanation: The Pearson correlation coefficient ($r = 0.942$) indicates a very strong positive relationship between bank credit and industry credit (Field, 2017). The p-value (0.000) is less than 0.01, so the null hypothesis is rejected (Kothari, 2019).

Therefore, there is a significant relationship between bank credit and industry credit.

8.SUMMARY AND RECOMMENDATIONS:

8.1 Summary: The small and medium enterprises are broadly categorized under the MSME sector have emerged as one of the most dynamic and resilient segments of the Indian economy. According to recent estimates (2024-26) the MSMEs contribute about 30% of India’s GDP, about 45-48% of total exports, and provide about 110+ million employment opportunities, making them a crucial pillar of inclusive growth and industrial development.(Ministry of MSME, 2024; RBI,2025)

The sector comprises over 63 million enterprises which contribute significantly to manufacturing output, value addition and regional balanced development(Government of India, 2024). Since the LPG policy 1991, MSMEs produce a diverse range of goods and services across more than 6,000 products and have shown increasing integration into global value chains.(Abid Hussain committee, 1997)

Despite significant contribution, the MSME sector still face structural challenges. Inadequate and delayed availability of finance are the significant issues. While institutional credit has increased over the time but a significant credit gap (estimated at ₹25-30 lakh crore) remains which particularly affecting micro and small enterprises. The institutional mechanisms are considered to address these issues(IFC report, 2018; RBI, 2024). The Government of India and the Reserve Bank of India have implemented several measures, including:

- Priority Sector Lending targets (40% of adjusted net bank credit)
- Credit guarantee schemes such as CGTMSE
- Emergency Credit Line Guarantee Scheme (ECLGS) post-pandemic
- Digital lending platforms and fintech integration

- Enterprise registration and formalization initiatives

Conventionally, several expert committees such as the Nayak Committee, the Abid Hussain Committee and the Narasimham Committees have emphasized the need for better credit flow, simplified procedures and institutional reforms(Nayak committee Report, 1992; Narasimha committee Report, 1998). After the bank nationalization, the rural credit penetration and financial inclusion have improved. Today's, the rise of digital banking, FinTech and government-backed initiatives, the financial ecosystem for MSMEs is undergoing transformation.

8.2 RECOMMENDATIONS:

- 1 The awareness provide about digital lending platforms, Udyam registration and e-marketplaces like Government e-Marketplace
- 2 The members should encouraged to maintain transparent financial records and credit scores to improve loan eligibility and faster credit access.
- 3 The awareness provide about digital lending platforms, Udyam registration and e-marketplaces like Government e-Marketplace
- 4 Timely payment mechanisms through platforms like TReDS should be improved.
- 5 Digital finance, fintech integration and alternative credit scoring models should be promoted.
- 6 There is need to Organize nationwide awareness and training programs on MSME finance and digital tools.

8.3 CONCLUSION: According to the study, MSMEs and bank credit in India grew by about 14.1% in 2024-2025, outpacing growth in other industries such as retail and services. The access to finance has enhanced through various policy interventions like priority sector lending standards, digital lending platforms and credit guarantee programmes. After all these advances, issues such as lack of collateral, late payments, a short credit history and complex procedures still limit access to credit, especially for micro enterprises. In recent years, the study discloses that while MSMEs in India have substantial growth and structural improvements in bank credit but there is still a need for more inclusive, technology-based and risk-based lending approaches. There is need to Strengthening institutional support and enhancing credit delivery mechanisms to sustain MSMEs growth and ensure long-term economic growth.

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