



# ROLE OF NON-BANKING FINANCIAL COMPANIES IN SUSTAINABLE MSMEs SECTOR POST COVID-19

**JENIFER.A**

Ph.D. Full Time Research Scholar, Department of Corporate Secretaryship,  
Alagappa University, Karaikudi- 630 003, Tamil Nadu, India.

**&**

**Dr.C.Vethirajan**

Professor & Head, Department of Corporate Secretaryship,  
Alagappa University, Karaikudi- 630 003, Tamil Nadu, India.

## ABSTRACT

Micro, Small, and Medium Enterprises (MSME) represent the backbone of an economy by fostering a discernible growth rate and creating employment opportunities. In many emerging and established economies, this sector has been viewed as a tool for socio economic growth. It generates a sizable entrepreneurial base in addition to making a substantial contribution to India's industrial production, export, and employment. The pandemic affects MSMEs adversely on a worldwide scale, and following COVID-19, the industry takes center stage in powering the growth engine. Vice versa the Non-banking financial companies also plays vital role in the development of MSME sector so this paper made an attempt to understand the role of NBFC in sustainable MSME sector by providing best loans and push towards the inclusive development after covid-19

## KEYWORDS

Micro, Small, and Medium Enterprises, Non-Banking financial companies, Money lenders, unorganized sector, PMEGP, & CGTMSE.

## INTRODUCTION

The Indian economy is significantly being driven by micro, small, and medium-sized enterprises (MSMEs). The majority of MSMEs have not been able to be contacted by government agencies, SIDBI, or the RBI despite the evident importance of MSMEs to the Indian economy. Only 10% of registered MSMEs and x% of unregistered MSMEs, respectively, are thought to have access to bank and financial institution financing (organized sector). The insufficient and delayed access to quality financing is one of the greatest problems MSMEs in India confront. Local moneylenders in the unorganized sector have historically been the main lenders to MSME segments. In addition to being unreliable, credit from the unorganized sector is often expensive and sporadic. Thus, the MSME group offers substantial unrealized market potential for The Indian economy is largely being driven by micro, small, and medium-s enterprises (MSMEs). Despite the clear importance of MSME. The NBFC sector has been consolidating, and since 2005–2006, fewer NBFCs have started accepting deposits. However, as seen by rising average asset size and income growth, the quality of each surviving NBFC has been improving. The present coronavirus crisis (COVID-19), which is affecting MSMEs, the foundation of India's overall development story, has had a notable impact and encountered significant disruption. MSMEs play a significant role in both the domestic and international value chains, hence the sector's situation is deeply troubling.

## REVIEW OF LITERATURE

**Unni, J. (2020)** observed how COVID-19 affected MSMEs and the informal economy. He explains that estimations of the loss of employment, income, and GDP must be made together with macro-level forecasts. This will make it easier to picture a short-term plan of action and policies.

**Manna, P. and Mistri, T. (2017)** Analyzed were the MSMEs' current state and tendencies in India. Secondary data was employed. They found that while micro companies naturally held the top spot in all states, small and medium-sized enterprises are also improving in certain developed states. The industry fosters regional growth while reducing regional disparities.

## OBJECTIVES

1. To identify which NBFC provides best loans to the MSME sector
2. To know the current status and prospects of NBFC towards MSME sector

## METHODOLOGY

The study has a theoretical approach. It is based on secondary data and information taken from various government reports, such as reports of the Ministry of MSME, handbook of statistics of Indian economy, issues of RBI, various research papers, journals

## Sustainable development in MSMEs sector

Sustainability and MSMEs Global acceptance of sustainability in development has taken center stage. India's government has committed to a number of things on both a national and international level. In order to balance sustainable economic growth, the Indian government's new "Make in India" (Zero Defect

& Zero Effect) project was a significant step. The Indian economy as a whole has to work together for improved economic conditions. The manufacturing industry currently makes a substantial contribution to long-term economic growth. The MSMEs sector has the ability to provide a great deal of people with employment possibilities, but by using sustainable business practices, it advances and boosts the Indian economy

### **NBFC lending MSMEs sector**

India's GDP is still expanding quickly and is outpacing other major world economies. The International Monetary Fund (IMF) projects that for the upcoming fiscal year, growth would be approximately 7.80%, with Micro, Small and Medium Enterprises (MSMEs) driving this upsurge. However, it might be challenging for banking organizations to serve such a diverse customer base. Many Non-Banking Financial Companies (NBFCs) have started supporting smaller businesses since bank loans are increasingly being absorbed by larger corporations, making it simple to obtain an MSME loan. The share of NBFCs in the overall lending by banks and NBFCs combined climbed to 15.5% in 2017, an increase of almost 6% from 2008, according to the RBI. NBFCs continue to be the preferred lender for MSMEs.

### **Quick money transfers**

Borrowing money from banks usually includes extensive documentation and a demanding financing process, which adds time to the process of establishing a firm. On the other side, NBFCs enable speedy money disbursement thanks to their minimal documentation needs. You can receive funds more quickly and are not subject to onerous lending conditions or verification procedures.

### **A spectrum of interest rates**

The interest rate on a loan may very well determine a borrower's success or failure, assuming all other factors are consistent. So, it should come as no surprise that the interest rate has historically been the main factor for someone looking for a loan. In comparison to banks, NBFCs provide competitive interest rates on the MSME loan you apply for. As a result, your EMI payments are lowered, somewhat relieving your financial worries.

### **Essential qualifications**

Relaxed eligibility requirements cause NBFCs to be relatively flexible when approving a loan, which facilitates and speeds up the approval process. While all lenders normally evaluate variables like your credit score, outstanding debts, annual income, etc., NBFCs are far more lenient when it comes to such constraints. In actuality, even if your credit score is low, you may be eligible for a loan from an NBFC. This makes it simpler for a new business venture to obtain an MSME loan. Given all the benefits, it is simple to understand why MSMEs have turned to NBFCs as their main source of borrowing. According to a report by the RBI, NBFCs expanded lending to commercial firms by \$2.59 trillion rupees in assisting them in satisfying about 18% of their credit needs.

### Top NBFCs Offering MSME Loans Interest Rates

There are various Non-Banking Financial Companies (NBFCs) in India who offer MSME Loans. Given below are some of the NBFCs from whom you can avail an MSME Loan.

Bank Name	Interest rate
Lending Kart	At the discretion of the lender
Fullerton India	17% p.a. to 21% p.a.
Mahindra Finance	At the discretion of the lender
Muthoot Fincorp	At the discretion of the lender

### Popular NBFCs offering MSME Loans in India

Listed below are some of the most popular NBFCs in India which offer MSME loans:

<b>Fullerton Business Loan</b>	
Interest Rate	17% p.a. to 21% p.a.
Processing Fee	Up to 6.5% of the loan amount
Loan Amount	Up to Rs.50 lakh
Loan Repayment Tenure	Depending on the scheme
<b>Lending kart Business Loan</b>	
Interest Rate	At the discretion of the lender
Processing Fee	2% of the loan amount
Loan Amount	Rs.50,000 to Rs.1 crore
Loan Repayment Tenure	Up to 36 months

In addition to the loan schemes offered by the banks and NBFCs, there are a host of government schemes as well. These schemes have been listed below:

Name of Scheme	Sub-Schemes
1) <u>MUDRA Loan</u>	<ul style="list-style-type: none"> <li>• Micro-Credit Scheme</li> <li>• Credit for Micro Finance</li> <li>• Refinance Scheme for Banks</li> <li>• MahilaUddyami Scheme</li> <li>• MUDRA Card</li> <li>• Equipment Finance Scheme</li> <li>• Credit Guarantee Scheme</li> </ul>
2) Credit Guarantee Funds Trust for Micro and Small Enterprises ( <u>CGTMSE</u> )	N/A
3) Prime Minister's Employment Generation Programme ( <u>PMEGP</u> )	N/A

Source <https://www.bankbazaar.com/personal-loan/msme-loan.html>

## SUGGESTIONS

To increase the flow of credit, the MSME sector needs to have access to affordable financing. MSMEs must have the capacity to evolve ICT and other tools in order to meet the booming market demands in order to compete with large firms both inside and outside their borders. For MSMEs, infrastructure development is crucial. It should include a wide variety of infrastructure facilities, such as roads, railways, waterways, and airways, as well as appropriate telecommunications channels, a plentiful supply of power, and other facilities like testing labs, design centers, tool rooms, etc. The MSMEs' potential expansion is hampered by the obsolete technologies. The industry has access to cutting-edge and foreign technologies, as well as help from big businesses, affordable ICT solutions, and improved support for R&D. In the event of a crisis, the industry should offer discounts on interest rates and forgo the loans of MSMEs who are particularly impacted. The employees of MSMEs should be covered by programs like PMEDY and BimaYojna.

## CONCLUSION

MSMEs have made a substantial impact on the expansion of the Indian economy. Its significant contribution to the GDP, creation of jobs, exports, production, and industrialization of rural areas in India. The MSME sector is expanding quickly, but it also has several problems. The NBFC should put in place appropriate policy measures to ameliorate the situation. The outbreak has caused significant pain in the industry, as evidenced by the growth in businesses that are closing or drastically reducing their workforces in order to remain open. To steer the industry in the correct direction and down the proper road, the government declared a stimulus for it. For the future of the nation, it is essential that MSMEs develop. The industry evolved into the economy's driving force in the current context for its improvement.

## REFERENCES

1. Unni.j(2020), “Micro, Small and Medium Enterprises (MSME) in India: Opportunities, Issues & Challenges”, Great Lakes Herald, Vol 11, Issue No.1
2. Mama,P.andMistri,T.(2017),“StatusofMicro,Smalland Medium Enterprises (MSME) in India: A Regional Analysis”,IOSRJournalofHumanitiesandSocialScience, Vol 22, Issue 9. PP.72-82
3. <https://hindustantimes.com/analysis/msmes-is-critical-in-times-of-covid-19>
4. <https://livement.com/opinion/online-views/opinion-covid>
5. <https://indianexpress.com/article/india/rs-3-lakh-crore-relief-package-for-msme-but-govt-pvt-firms-owe-them-more-6410442/>
6. <https://www.bankbazaar.com/personal-loan/msme-loan.html>

