Financial Support to MSME and Self-Help Group

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Abstract- **All stakeholders, including entrepreneurs, financial institutions, and government organisations, have expressed concern about financing for micro, small, and medium-sized enterprises (MSMEs). The study's main goal was to uncover the numerous problems that MSMEs experience while obtaining capital at various stages of their life cycle. This study is the first of its type to focus on these elements. The study goes on to investigate if MSME entrepreneurs' financial awareness is a major barrier to identifying and utilising sources of credit. In the medium and long term, the primary goal of microfinance should be to empower SHG members to engage in income-generating microenterprises that are viable and sustainable. The purpose of this article is to investigate empirically the factors of SHG empowerment from microfinance clients to microenterprise investors, as well as the challenges they confront in making this transition and establishing successful and sustained microenterprises. This article will explore Financial Assistance to MSME and Self-Help Groups.**

Keywords: **Self-Help Group, Finance, Micro Small and Medium-Sized Enterprises (MSME), Financial Inclusion, Credit Requirement, Banks, Government, Bank-Financed.**

Introduction:
Micro, small, and medium-sized firms (MSMEs) have recently received considerable attention in India, owing to their strategic importance to the economy and the country. MSMEs play an essential role in job creation—the country's 48.8 million MSMEs employ 111.4 million people. MSMEs in the manufacturing sector alone create over 6,000 goods and account for 7.7% of the country's GDP. Likewise, MSMEs in the services sector account for 27.4% of the country's GDP.
SHGs are not a new concept in rural finance; our traditional Indian community functions well on the basis of mutual assistance. SHGs are emerging as a powerful tool for providing support and financial assistance to the rural poor with the assistance of the government through institutional financing; they are viewed as a development tool for empowering economically and socially disadvantaged groups of people, particularly rural women. Every developing country has recognised the self-help group movement as a breakthrough in the field of rural lending. Poor women join together to solve a common problem; the group with the same socioeconomic background consists of individual members who voluntarily come together to save a small amount on a regular basis and meet their basic requirements through mutual aid.
Despite their contributions, MSMEs in India confront a number of obstacles. They frequently must stay up with fast evolving technologies or risk becoming technologically obsolete. They also confront significant borrowing costs and are frequently unable to identify their major competitive advantage in order to maintain product standards and quality. MSMEs must also deal with the issue of intellectual property protection as well as the scarcity of competent labour. Finally, studies on MSMEs have identified the availability of sources of funding and access to these sources as the most important variables in promoting MSMEs' growth in emerging economies. [1]
Both of these issues pose inherent challenges to MSMEs financing in the Indian context, owing to MSME entrepreneurs' lack of awareness of funding schemes and the limited role of venture capitalists, nonbanking financial companies (NBFCs), foreign banks, angel investors, and initial public offerings in financing MSMEs. Given that banks are India's primary source of credit, the Reserve Bank of India has included micro and small companies on its list of priority lending sectors. Banks have also been encouraged to achieve a 20% year-on-year increase in loans to micro and small businesses, as well as a 10% year-on-year increase in the number of microenterprise accounts. In light of such policies, this study seeks to determine whether such incentives and plans have reached MSMEs and whether entrepreneurs are aware of them.
Many developing countries' governments have recognised the concept of achieving inclusive growth through microfinance projects and have actively incorporated them into their policies and programmes.
These governments, including India, have actively promoted and rigorously co-opted organised financial institutions and third-sector activities in their various nations as part of this aim. India has seen a huge surge in the number of SHGs founded, ensuring credit reach to the previously credit-deprived masses. However, many of these microfinance clients have not progressed into microenterprise undertakers, resulting in the members' participation in economic activities that could have lifted them out of poverty through sustainable income production.
There have been numerous studies on the issues of micro finance and the SHG movement in India, but very few have delved at the issues involved at the grass roots level in the transition of SHGs and SHG members from micro finance users to microenterprise investors. As a result, in-depth empirical studies on numerous factors involved in the transition of SHGs and SHG members from microfinance users for consumption to microenterprise investors are required. As a result, the current study focuses on these areas of research that have far-reaching implications for the survival and sustainability of microfinance and the SHG movement.

Total Financial Inclusion and Credit Requirement of SHGs:
Banks have been advised to meet the entire credit requirements of SHG members, as stated in Paragraph 93 of the Honourable Finance Minister's Union Budget announcement for the fiscal year 2008-09: "Banks will be encouraged to embrace the concept of

Total Financial Inclusion." The government would ask all scheduled commercial banks to follow the lead of some public sector banks and cover all of the credit demands of SHG members, including (a) income production activities, (b) social needs like as housing, education, marriage, and so on, and (c) debt swapping."

Self-Help Groups:
Self-Help gatherings are self-governed, peer-controlled, and informal gatherings of people with comparable socioeconomic origins and a desire for the common good in India. In a self-help organisation, people gather together voluntarily to save whatever amount they can save out of their earnings, to mutually agree on the contribution to a common fund, and to lend to the members for addressing their dynamic and emerging needs (similar to Nidhi Company).
In India, there is a great demand for Self-Help Groups, and the government's role in reducing poverty is ongoing.

- Self-Help groupings (SHGs) are informal groupings of people who are dealing with similar issues.
- These people band together to create a group in order to solve their common concerns and raise their level of living.
- They are typically from comparable socioeconomic backgrounds and are interested in little savings projects in a bank. This sum serves as the SHGs' fund and is utilised to make loans to its members.
- It is a critical instrument for lifting people out of poverty and improving social standing by encouraging self-employment. [2]

India need SHGs:
The necessity to tackle problems on the ground: India is a country with a distinct culture, traditions, and historical antecedents, among other things. As a result, it is difficult for the government to handle socioeconomic problems on its own. Thus, bringing together people who are dealing with similar issues could be a game changer for the Indian economy.
Financial Inclusion: According to the NSSO data, 51.4% of farmer households lack access to formal finance. This has had numerous bad consequences, including poverty and farmer suicides. Due to the lack of loans, many people in India are unable to receive them.
MSMEs, or Micro, Small, and Medium Enterprises, are an important sector of the Indian economy, accounting for 30% of the country's GDP. The government plans to expand this contribution to 50% in the next years by launching a slew of new initiatives to promote the sector's rapid growth.
MSMEs are critical to economic growth because they are the country's second largest employer after agriculture. According to the 73rd National Sample Survey, which was conducted from 2015 to 2016, there are around 63 million registered MSMEs in the country, employing more than 111 million people.
When a company qualifies as an MSME, it may qualify for government subsidies, faster loan approvals, lower electricity prices, and access to MSME clusters for talent and technology development. MSMEs should register for Udyam Registration under the categories given below.

Micro Enterprises: Companies with yearly revenues of up to INR 5 crores.
Small Enterprises: Companies having annual revenues ranging from INR 5 crores to INR 50 crores.
Medium Enterprises: Companies having annual revenues greater than INR 50 crores but less than INR 250 crores.
The government has implemented a number of programmes to assist the MSME industry. These include financial assistance and funding, skill development and training, infrastructure support, and technology advancement. The following are some of the most popular MSME schemes provided by the Government of India in partnership with other institutions.

1. Prime Minister Employment Generation Programme (PMEGP):
The program's goal is to give financial help for self-employment initiatives in order to create long-term employment opportunities for unemployed youngsters and traditional craftspeople in both rural and urban locations. MSMEs can benefit from this scheme by obtaining bank-financed loans with subsidies to assist them develop new micro businesses outside of agriculture. Banks give margin money discounts ranging from 15 to 35% on loans for projects up to 50 lakhs in the industrial sector and 20 lakhs in the service industry. The margin for special categories such as SC/ST/women is 25% in urban areas and 35% in rural areas.

2. Entrepreneurship and Skill Development Programme (ESDP)
The programme aims to raise public awareness of entrepreneurial culture in order to encourage young people from diverse social groups, such as SC/ST, women, and others, to consider entrepreneurship as a feasible career option. One of the program's primary goals is to provide core entrepreneurship training to help entrepreneurs put their concepts into action, to effect cognitive and attitudinal changes in the target group, and to improve their individual entrepreneurial talents.

3. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
The goal of SFURTI is to organise traditional industries and craftspeople into clusters in order to increase their competitiveness for long-term sustainability goals. Non-governmental organisations (NGOs), state and federal institutions, semi-governmental organisations, traditional industry craftsmen, and groups of artisans from the handicraft, textile, bamboo, honey, coir, and khadi industries can all apply for skill development through the programme.

4. Procurement and Marketing Support (PMS) Scheme
The Procurement and Marketing Support Scheme encourages new market entry efforts, such as arranging or participating in national or international trade fairs or exhibitions, to improve the marketability of services and goods in the MSME sector. The programme promotes access efforts and increases understanding of a variety of marketing-related topics. Another purpose of the programme is to increase understanding of critical issues such as e-marketing, the GeM site, the GST, and other related themes. [3]

Review of Literature:
Bank loans, loans from nonbanking institutions (e.g., NBFCs), venture capital, microfinance institutions, loans from family, relatives, and friends, equity finance, and own funds are the most common sources of finance used by MSMEs (Mallick et al. 2010; International Finance Corporation 2012; Asian Development Bank 2014). The International Finance Corporation (2012) estimates that the provision of finance to the MSME sector is worth 32.5 trillion Indian rupees (Rs). This sum includes contributions from informal, official, and self-financing. The sector receives Rs25.5 trillion from informal sources and self-financing, with informal finance accounting for Rs24.4 trillion. In other words, 78% of MSMEs' financing comes from informal and self-financing sources. The remaining 22% (Rs6.9 trillion) is given by banks and NBFCs, with banks accounting for the majority (91.8%). [4]
Microfinance nowadays enables financial inclusion and linkage (Ashta, 2009; Karmakar, 2008) and expands funding channels for vulnerable populations such as those at the bottom of the pyramid. As a result, microfinance can be described as an economic innovation with the purpose of combating poverty. Microfinance interventions are gradually being regarded as a viable technique for delivering financial services all around the world in this environment. Banks, non-governmental organisations (NGOs), and the government all play critical roles in this regard. The difficulty in developing countries, where large portions of the population are trapped in the web of poverty, is to produce enough employment and income possibilities for the rural and urban poor in a sustainable manner. Micro Finance Institutions (MFIs) give savings and credit facilities to the underprivileged in order to create or expand income-generating operations. These small loans can also help small and marginal farmers increase their investments and catalyse the development of microenterprises in non-farm activities. There are reasons to assume that, with the required financial support and supervision, Self-Help Groups (SHGs) can succeed in enabling microenterprise development and, as a result, influence their members' job situation and socioeconomic standing. Thus, microenterprises can play an essential role in enhancing the quality of life and alleviating poverty. They can aid in the resolution of poverty and inequality, widespread unemployment, regional inequities, and other socioeconomic issues confronting society. [5]
Microenterprise activity is described as income-generating operations in the fields of processing, manufacturing, service provision, and trading carried out by an individual or group with an element of risk. Microenterprises are distinguished by low capital, single ownership, a small number of employees, home-based production, supplemental income, and the manufacturing of items with limited know-how and technology. Microenterprises enable individuals to create work, income, and assets while utilising a restricted number of resources available to them. Microenterprises enable low-income individuals to develop and run small businesses, allowing the poorer sectors to rise out of poverty and achieve economic stability, sustainability, and welfare (Heilman & Chen, 2003). [6]

Objectives:
- To identify challenges faced by MSMEs while accessing finance from different sources at different stages of their life cycle, and.
- The role of Self-Help Groups in India is mainly to alleviate poverty, generate employment opportunities, and promote financial inclusion.
- To identify factors that lead to higher financial awareness.
- MSMEs provide banks with credit limits or financing assistance.

Research Methodology:
This study's overall design was exploratory. The research report is an attempt based on secondary data acquired from reliable sources such as respectable publications, the internet, articles, textbooks, and newspapers. The research design of the study is mostly descriptive in nature. [7]

Result and Discussion:
Micro, Small and Medium Enterprises (MSME) Sector:
Micro, Small, and Medium Enterprises (MSME) play an important role in rural development by creating more job possibilities at a cheaper capital cost than large enterprises, which require more money and equipment. The Micro, Small, and Medium Enterprises (MSME) sector may also aid in the development of women entrepreneurs and the support of large enterprises by providing ancillary units, so assisting in industrialization. This sector may also help to alleviate rural poverty by creating more jobs, resulting in an equal distribution of national income and wealth.

Table 1: Definition of MSME (Source MSMED Act, 2006)

Manufacturing	MSMED Act, 2006
Micro	Less than 25 lakh.
Small	25 lakh - 5 crore.
Medium	5 crore - 10 crore.
Services	MSMED Act, 2006
Micro	Less than 10 lakh.
Small	10 lakh - 2 crore.
Medium	2 crore - 5 crore.

SHGs banking linkage approach may assist members launch their own businesses and empower illiterate and poor women by connecting them to the formal banking system and engage them in Micro-Entrepreneurship activities. SHGs are creative organisations established in India to empower women and alleviate poverty in rural areas. Every woman in rural India should have the opportunity to join any of the SHGs in their area for training and development, which can lead to the development of prospective entrepreneurial abilities. Development of Micro-Entrepreneurship can help to minimise the problem of unemployment, poverty, and other social problems in society, ultimately assisting in the nation's development process.

Micro, small, and medium-sized firms (MSMEs) are often considered as key drivers of economic development, employment, and innovation in emerging economies. However, a disproportionate number of MSMEs experience difficulties in obtaining the financial services they need to run their day-to-day operations and grow into strong, sustainable enterprises. They frequently have needs that surpass microfinance limits (usually in the hundreds of dollars), yet they are unable to obtain financial services from banks or similar providers without established credit histories, well-documented business records, or sufficient collateral. Similarly, due to actual and perceived risks, transaction costs, and a general lack of knowledge with pro-poor business models, traditional banks often ignore potential MSME clients. [8]

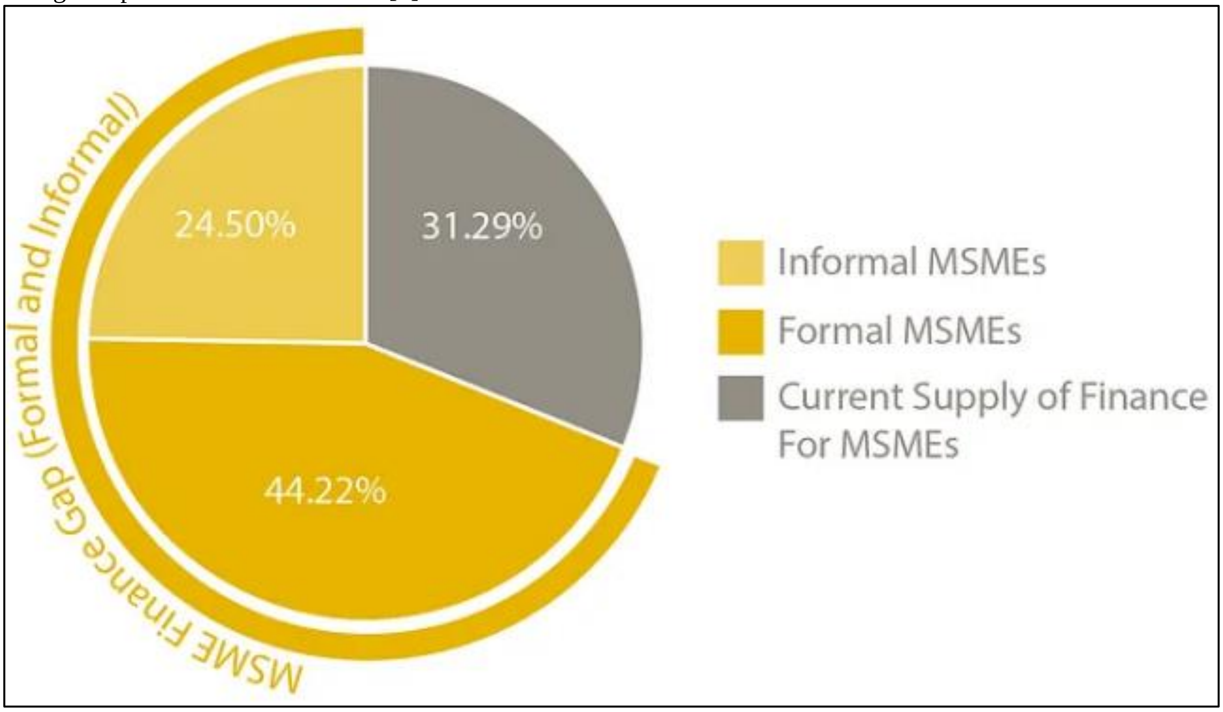

Figure 1: MSME Finance Need

Despite widespread agreement in the development community on the importance of resolving the misalignment between MSMEs' financial needs and the needs of financial service providers, there is limited agreement on the optimal tactics for bridging the gap.

Finance Used by MSMEs in Different Stages of the Life Cycle:

the key financial needs of MSMEs at different stages of their life cycle and the predominant sources of credit used to meet those requirements. Businesses were not limited to collecting data for the present stage of their life cycle, but could also share perceptions and experiences from previous stages. The figures are calculated as a proportion of firms reporting the sources of money used at various stages. As a result, the total number of reporting businesses will differ from the total number of businesses in the sample (Table 2).

Start-up stage: Companies at this stage reported using finances from personal and family sources, friends, and public (i.e., government-owned) banks primarily for working capital. Public banks were another widely reported application of an institutional source for collateral funding. When launching a business, this signified a high level of readiness or risk aversion, or both.

Survival stage: Working capital, short-term loans, and overdrafts were the key reasons for why firms in the survival stage requested financial assistance. Working capital was primarily financed by public banks and moneylenders, followed by personal savings and private banks. Private banks were also used to get short-term loans and overdraft facilities. Enterprises also reported using moneylenders, albeit to a lower extent. The trend of employing formal or trusted informal sources seems to continue from what was stated by start-up businesses.

Growth stage: At this stage, businesses needed working cash, collateral finance, and short-term loans. Working capital was obtained primarily from public banks, personal and family sources, and, to a lesser extent, private and cooperative banks. Public banks and, to a lesser extent, cooperative banks provided collateral financing. Private and cooperative banks were used to secure short-term loans, however moneylenders were mentioned. This discovery could imply that businesses were more focused on their unique financial demands and the sources needed to meet them.

Sustenance stage: Businesses in this stage reported using personal finances, cooperative banks, public banks, and private banks for operating capital. Cooperative banks were also employed for collateral financing and short-term loan security. At this stage, working capital, collateral financing, and short-term loans appear to dominate the landscape of firm requirements. [9]

Table 2: Major Sources of Finance Used by Enterprises in Different Stages:

Purpose	Sources of Finance	Start-up Stage (N = 45)[a]	Survival Stage (N = 11)	Growth Stage (N = 25)	Sustenance Stage (N = 31)
Working capital loan	Personal funds/savings	64.4	18.2	12.0	19.4
	Money borrowed from friends	15.6	0.0	0.0	12.9
	Public banks	13.3	27.3	28.0	16.1
	Family wealth	11.1	0.0	12.0	3.2
	Moneylenders	4.4	27.3	4.0	6.5
	Private banks	2.2	18.2	8.0	9.7
	Cooperative bank	0.0	0.0	8.0	19.4
Collateral financing	Public banks	17.8	0.0	20.0	3.2
	Cooperative banks	2.2	0.0	8.0	12.9
Short-term loan	Moneylenders	0.0	9.1	8.0	3.2
	Private banks	0.0	9.1	16.0	6.5
	Cooperative banks	4.4	0.0	12.0	9.7
Overdraft	Public banks	6.7	0.0	4.0	6.5
	Private banks	2.2	9.1	4.0	3.2
	Cooperative banks	0.0	0.0	4.0	3.2
	Personal funds/savings	0.0	0.0	0.0	3.2
Long-term loan	Moneylenders	2.2	0.0	0.0	0.0
	Public banks	2.2	0.0	0.0	6.5
	Private banks	2.2	0.0	0.0	0.0
	Cooperative banks	2.2	0.0	4.0	6.5
	SIDBI	0.0	0.0	4.0	0.0
	Personal funds/savings	0.0	0.0	0.0	3.2

SIDBI = Small Industries Development Bank of India.

Financial Assistance Under the Scheme:

The following financial assistances are available for various interventions: -

(i) Preparation of Diagnostic Study Report with a maximum grant of Rs 2.50 lakh from the Government of India (GOI). This financial support would be Rs 1.00 lakh for the Ministry of MSME's field organisations (MSME-DIs).

(ii) Soft Interventions with a GOI grant of 75% of the maximum project cost of Rs 25.00 lakh per cluster. The GOI grant will be 90% for NE and Hill States clusters with more than 50% (a) micro/village (b) women owned (c) SC/ST units.

((iii) Detailed Project Report (DPR) with a maximum grant of Rs 5.00 lakh from the Government of India for the development of a technical feasibility and viability project report.

(iv) Hard Interventions in the form of physical assets such as a Common Facility Centre with machinery and equipment for vital processes, research and development, testing, and so on, with the GOI contributing up to 70% of the project's maximum cost of Rs 15.00 crore. The GOI grant will be 90% for NE and Hill States clusters with more than 50% (a) micro/village (b) women owned (c) SC/ST units.

(v) Infrastructure Development, with the GOI contributing up to 60% of the project cost of Rs 10.00 crore, excluding land costs. The GOI grant will be 80% for projects in the Northeast and Hill States, as well as industrial areas/estates with more than 50% (a) micro, (b) women-owned, and (c) SC/ST units. [10]

Government Schemes for Self Help Groups in India

Self-Help Groups (SHG) are given easy credit and financial support and have greatly helped to the upliftment of women. The government plays a significant role in providing required assistance to these SHGs. The government has developed a number of significant projects to promote Self Help Groups.

National Rural Livelihood Mission (NRLM): Launched in 2011 by the Ministry of Rural Development.

Deendayal Antyodaya Yojana (DAY): This scheme was launched in 2015 and involves 8.5 mn Self-help Groups.

Swarn Jayanti Gram Swarojgaar Yojana (SGSY): It encourages the formation of more SHGs & self-employment among the rural population.
The government also promises a MUDRA loan amounting to up to Rs 1 lakh to one woman from every Self-Help Group.
The Self-Help Groups Guiding Principle emphasizes on organizing the rural poor into small groups through a process of social mobilization, training and providing bank credit and government subsidy. Self-help group are to be drawn from the BPL list permitted by the Gram Sabha in which about ten persons are selected one each from a family and focus on the skill development training based on the local requirement. Self-help group movement has gathered pace in country and is directly or indirectly supporting towards the monetary development of countryside areas.

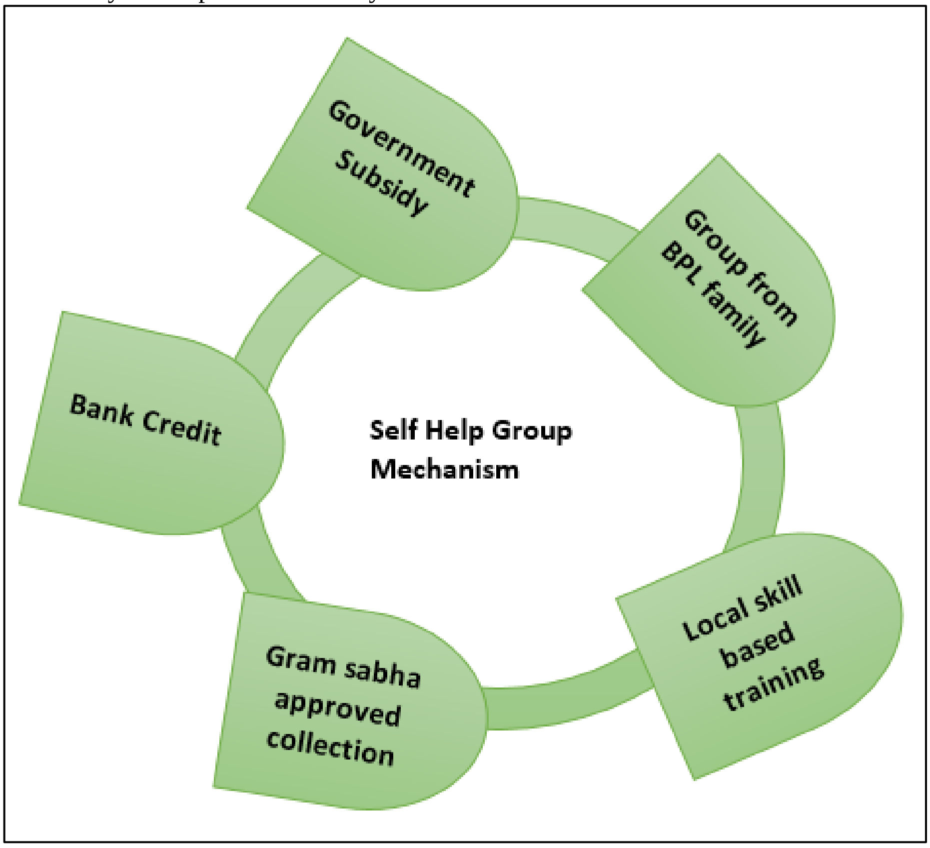

Figure 2: Self-Help Group Mechanism

A self-help group is defined as a group of people who have had firsthand experience with an identical issue or life condition, either directly or through family and friends. People who share their experiences enable them to provide each other with a unique quality of mutual support and to pool practical information and coping strategies. Self-help organisations are tiny informal associations of the impoverished founded at the grassroots level to enable members to realise economic benefits from mutual aid solidarity and joint accountability. [11]

Conclusion:
Now that you are aware of the numerous government efforts aimed to assist MSMEs, you can capitalise on the opportunities, expand your skills, and learn to harness the most recent technological breakthroughs to accelerate the growth of your small business. They are assured of empowerment through collective action in India's SHGs. This SHGs project in India mobilises poor rural people, mainly women, to form self-help groups for mutual benefit. SHGs play an important role in improving savings and credit, as well as reducing poverty and socioeconomic disparities in India.

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