

**To STUDY THE ROLE OF BANKS AND AWARENESS IN MSME SECTOR IN INDIA WITH REFERENCE  
TO THANE DISTRICT**

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**Abstract:**

The role of banks in the micro, small and medium enterprise (MSME) sector is crucial for the improvements and enhancement of these enterprises. The purpose of this study is to analyze the various functions and services offered by banks to MSMEs, including access to finance, lines of credit, advisory services and other support services. The study also examines the challenges MSMEs face in accessing banking services and the impact of bank support on the growth and sustainability of these businesses. It explores the challenges facing banks and MSMEs in fostering this symbiotic relationship and provides recommendations to policy makers, financial institutions and MSMEs to improve cooperation and promote inclusive growth. The aim of this study is to use the findings to add to the existing literature on MSME financing and provide stakeholders with practical insights on how to effectively harness the potential of the MSME sector to promote economic development..

**Keywords:** Micro, Small and Medium Enterprises (MSMEs); Small Scale Industries (SSIs); NSIC; SIDBI; MSME Act 2000

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**Introduction:**

Micro, Small and Medium Enterprises (MSME) has emerged as a very vibrant and dynamic sector of the Indian economy. MSMEs play an important role in providing great job opportunities at relatively lower capital costs than large industries, but they also contribute to the industrialization of rural and backward areas, thus reducing regional inequalities and ensuring a fairer distribution of national income and wealth. Currently, the sector, consisting of 36 million units, employs more than 80 million people. The MSME sector has the potential to spread industrial growth across the country and can be an important partner in the process of inclusive economic growth.

Lending to the MSME sector has become more important with the Micro, Small and Medium Enterprises Development Act, 2006 passed by the Government of India to ensure targeted and balanced growth of Micro, Small and Medium Enterprises. The MSME sector played an important role. in the economy of our country and significantly contribute to growth, manufacturing, services, industrial production, export, job creation, etc. MSMEs are the largest single employer after agriculture, accounting for 8% of GDP, 45% of industrial output and 40% of national exports. According to the Law on Micro, Small and Medium Enterprise Development (MSMED), 2006, micro, small and medium enterprises are defined as follows:.

**Table 1.1: The micro, small and medium enterprises as per the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006**

Categories	Manufacturing (Investment in Plant & Machinery)	Services (Investment in equipment)
Micro	Does not exceed 25 lakh	Does not exceed 10 lakh
Small	More than 25 lakh but does not exceed 5 crore	More than 10 lakh but does not exceed 2 crore
Medium	More than 5 crore but does not exceed 10 crore	More than 2 crore but does not exceed 5 crore

### About MSME In India:-

It was launched by MSME in 2006 in India. However, service sectors, which have not yet been included in this industry, have been included in the definition of micro, small and medium enterprises, making a historic change to this law. Therefore, taking advantage of the scale of the industry, even now the government has facilitated online registration of MSME with paperless operation. Additional importance of MSME in India is described below:

1. It creates large-scale employment: The businesses involved require little capital. start a new business. It also creates a wide opportunity for the unemployed to take advantage of it. India graduates about 1.2 million graduates every year, out of which a total of about 0.8 million are engineers. So far, there is no economy that can provide that much freshness in just one year. MSME is a boon for new talent in India.
2. Economic stability in the form of growth and leverage Exports: This is India's major strength contributing 8% of GDP. Given the contribution of MSMEs to industry, exports and employment, other sectors will also benefit. Today, international companies buy intermediate and auxiliary products from small companies, such as clutches and brakes for automotive companies. This will help linkages between MSMEs and large companies up to 40%

after GST implementation. The MSME sector has also sought GST registration, which plays an important role in increasing government revenue by 11%.

3. Promote inclusive economic growth: Inclusive economic growth has been on the agenda of government ministries and MSMEs for several years. On the other hand, poverty and deprivation hinder India's development. Moreover, it involves the marginalized sections of the society, which is a major challenge for the MSME Ministry.
4. Cheap labor and minimum costs: One of the biggest challenges in large organizations is retention of human resources. through a professional manager of effective HR management. But in case of MSME, labor requirement is less and it does not need highly skilled manpower. Therefore, the indirect costs of the owner are also low.
5. Simple management structure for businesses: MSME can be started with limited resources under the control of the owner. From now on, decision making is easy and efficient. On the contrary, a large company needs an expert for the activities of each department because it has a complex organizational structure. A small business does not need to hire an outside expert to manage it. The owner can do it himself. Hence it can function independently.

6. Lead role in 'Make in India' mission: The signature initiative of the Prime Minister of India, 'Make in India' is facilitated by MSMEs. It is considered the backbone if this dream is possible. In addition, the government directed the financial institution to lend more credit to companies in the MSME sector.

#### **MSME Sector in Maharashtra Thane District:**

More than 99 percent of all estimated MSMEs in India are expected to be in the micro sector with around 630.52 thousand enterprises. There are an estimated 3.31 lakh small enterprises and 0.05 lakh medium enterprises, which together constitute about 0.52% and 0.01% of the total estimated MSMEs. A total of 324.88 million MSMEs or 51.25 percent are located in rural areas, while 309,000 million MSMEs or 48.75 percent are in urban areas. Most of the MSMEs in the country - 74.05% - are located in the top ten states. Maharashtra has an estimated 47.78 lakh MSMEs, which is about 8% of the total MSMEs in the country. Of these, 47.60 lakh are micro enterprises and 0.17 lakh are small enterprises. Maharashtra is the peak of Udyam registrations for MSMEs with around 3.8 lakh registrations. It is important to note that MSMEs in the service sector account for a higher percentage of Udyam registrations than MSMEs in the manufacturing sector. Maharashtra operates several programs for MSMEs across the state, including loans and financial assistance, training for skill development, infrastructure improvement, marketing subsidies, technology and quality improvement and other services.

#### **Challenges Faced by MSMEs In Maharashtra's Thane District:**

Despite the significant contributions of the MSMEs in Maharashtra's economy, they face several challenges, that impact their growth and development. Here are some of the challenges faced by MSMEs in Maharashtra Thane District:

1. Lack of access to finance

2. Limited Market Schemes
3. Lack of Skilled Manpower
4. Regulatory Compliance
5. Competition from large-scale Industries

#### **Research Methodology**

##### **Questionnaire:-**

**Q.1) Name**

**Q.2) Age**

- 18-25
- 25-35
- 35-45
- More than 45

**Q.3) Gender**

- Female
- Male

**Q.4) Occupation**

- Businessman
- Salaried
- Any other

**Q.5) Location**

**Q.6) Do you have awareness of the Micro, Small, and Medium-Sized Enterprises (MSME) industry in India?**

- Yes
- No

**Q.7) Do banks in India provide financial support to Micro, Small and Medium Enterprises (MSME's)?**

- Agree
- Disagree
- Strongly agree
- Neutral

**Q.8) Is the Reserve Bank in India (RBI) responsible for overseeing the functioning of banks in relation to MSME lending in India?**

- Yes
- No

**Q.9) Do banks play a role in promoting entrepreneurship in the MSME sector in India?**

- Yes
- No

**Q.10) Are banks primarily focused on charging high-interest rates on loans to MSMEs?**

- Agree
- Disagree
- Strongly agree
- Neutral

**Q.11) Are banks involved in facilitating access to credit for MSMEs?**

- Agree
- Disagree
- Strongly agree
- Neutral

**Q. 12) Are the banks involve in the promotion of government schemes such as Start-up India for MSME?**

- Agree
- Disagree
- Strongly agree
- Strongly disagree

**Q. 13) Do banks offer digital banking solutions and financial education to MSME to help manage theirfinance.**

- Agree
- Disagree
- Strongly agree
- Strongly disagree

**Q. 14) Which bank focused on the MSME?**

- SIDBI

- NABARD
- SEBI
- World Bank

**Q. 15) Are the banks involved in supporting MSME to buy residential properties?**

- Yes
- No

**Objectives of the Study:**

- To study the various financial schemes are designed and formulated by government and public sector banks to encourage MSMEs.
- To assess and analyze the awareness of MSMEs about various special loan products offered by various banks to MSMEs in Thane district of Maharashtra
- To study and analyze the awareness of MSME in Thane district..

**Hypothesis:**

1. Null Hypothesis (H0):- The various financial schemes are not designed and formulated by government and public sector banks to encourage MSMEs.

Alternative Hypothesis (H1):- The various financial schemes are designed and formulated by government and public sector banks to encourage MSMEs.

2. Null hypothesis (H0):- The awareness of MSMEs is not about various special loan products offered by various banks to MSMEs in Thane district of Maharashtra

Alternative Hypothesis (H1):- The awareness of MSMEs about various special loan products offered by various banks to MSMEs in Thane district of Maharashtra

**Hypothesis Testing:-****Table 15:- Hypothesis**

H1:- The access to bank finance products by the MSME units is easy, user-friendly, adequate and timely.

H0:- The access to bank finance products by the MSME units is not easy, user-friendly,adequate andtimely.

Annova:- Single  
Factor

**SUMMARY**

Groups	Count	Sum	Average	Variance
Column 1	31	75	2.419355	1.051613
Column 2	31	82	2.645161	0.836559

**ANOVA**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.790323	1	0.790323	0.83713	0.00363881	4.001191
Within Groups	56.64516	60	0.944086			
Total	57.43548	61				

As P value is greater than zero null hypothesis is rejected and alternative hypothesis is accepted.

**Primary data collection:**

Primary data will be collected by communicating with the respondent through a structured questionnaire. The study was carried out using assistance with the primary data using the questionnaire.

**Secondary Data Collection:**

Secondary data was gathered from books, research papers in journals, articles from newspapers and magazines through the internet.

**Sample:**

In this research for collecting the data 30 sample size has been collected through data collection method.

**Sample area:**

The research has been conducted across from Kalyan and its nearby area have been taken for the purpose of the study.

**Significance:**

The importance of the study begins with its coverage of many topics as it covers the myriad of the Micro, Small and Medium Enterprises (MSME) sector in Thane district of Maharashtra. While studying the MSME sector in Thane district, Maharashtra, the following topics can be considered: Exports and Internationalization; Export and influence; Challenges and limitations; Regulatory environment; financial inclusion; Technology implementation; Sustainable development and environmental practices; Innovation and research and development.

**Research Methodology :** The research methodology ensures the reliability of the research work and provides reliable scientific results. Additionally, it provides a comprehensive plan to help keep researchers on track, facilitating a simple, efficient and manageable approach. The reader can understand the strategy and procedures used to achieve the results by understanding the methodology of the researcher.

**Limitations :**

Research Methodology in the field of MSME sector faces several limitations and challenges which can impact

the quality and validity of research findings. Some of the key limitations include:

1. Data Availability and Quality:
2. Sampling issues
3. Language and cultural barriers
4. Economic and political instability
5. Ethical Concerns

#### Review of Literature:

**Kristin Hallberg, (2000)** Governments in both developed and developing countries offer various programs to support small and medium-sized enterprises (MSMEs). Despite the success of small business strategies in some countries, most developing countries find the impact of small business development programs on company performance unsatisfactory.

**Kumar, Krishna (2003)** He explains that India's foreign cooperation usually involves expensive technology transfer. Small and medium-sized enterprises (MSMEs) cannot cover these costs alone. At the same time, peers can effectively share costs through external collaboration.

**Mapdar's (2011)** study highlighted several strategic and political/management aspects. The study addresses issues related to production, economic aspects and management practices.

**Ashok Kumar Panigrahi (2012)** Challenges include lack of infrastructure, difficulty in obtaining credit, intense competition and recruitment of qualified managers and technicians. Government eases barriers for MSMEs.

**Anand Sharma (2012)** MSMEs are not getting the capital they deserve. Finance Minister Anand Sharma praised them for their work in India and said the government is working to promote MSMEs by taking measures such as cutting wasteful paper and enforcing regulations for the first time.

**Mehul Kapadia (2013)** For MSMEs, every dollar of capital invested is essential. One of the main reasons companies underbid or overbid is seasonal peaks. All companies go through stages of change. Some companies may want to expand. Meeting of MSMEs (2014) Today, many investment bankers see opportunities in small and medium-sized companies, commonly known as MSMEs. Major banks and retail finance firms are exploring opportunities in this area.

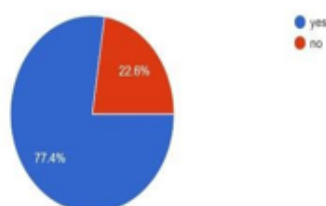
**Goel, Prakash (2014)** Investment, employment and output are used as benchmarks to assess the contribution of micro-enterprises to improving public finances and the economy.

**M. Chandraiah (2014)** Small and large businesses face many challenges in terms of credit, raw materials, design, packaging, warehousing, infrastructure, human resources, etc., but have survived recessions and recessions through innovation, adaptability and flexibility.

**N. Aruna (2015)** There are many government programs but research shows that most of these companies are not aware and do not understand how they can benefit from them..

#### Data Analysis & Discussions:

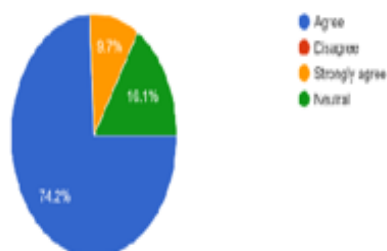
Are you aware about the Micro, Small and Medium Enterprises MSME sector in India?  
31 responses



Only 24 respondents know about the SME sector in India. The remaining 22.6% of the respondents do not speak about the SME sector in India

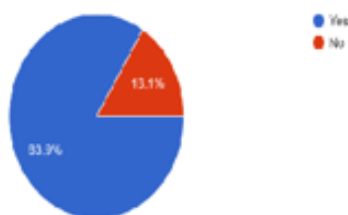


Do banks in India provide financial support to Micro, Small and Medium Enterprises (MSME's)?  
31 responses



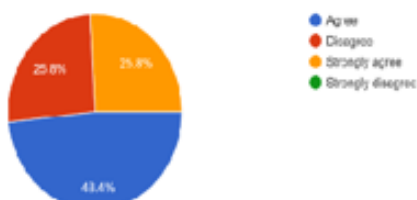
A majority of respondents (26%) believe banks are actively promoting the MSME sector in India, while 16.1% are unsure about this.

Do banks play a role in promoting entrepreneurship in the MSME sector in India?  
31 responses



A majority of respondents (26%) believe banks are actively promoting the MSME sector in India, while 16.1% are unsure about this.

Are the banks involve in the promotion of government schemes such as Stand-up India for MSME?  
31 responses



The survey results show that 48.4% of respondents believe banks promote government schemes like Stand Up India for MSMEs, while 25.8% disagree and 25.8% strongly agree.

### Summary of Findings:

The emergence of various MSMEs and start-ups in the Indian market has helped business owners to launch various businesses at the federal and state levels. At different levels, they illustrate the importance of the most important manufacturing and service sectors.

According to our study, the Start-up - make in India project of the Indian government contributed to the growth of the service sector, which attracted young people . entrepreneurs who want to do business in this area.

Young entrepreneurs operate restaurants and cafes, Xerox, fax and STD centers and cyber cafes using labor-intensive technology with the help of the Prime

minister's employment program..

### Suggestions:

1. After a deep study of the study, we can make some suggestions to provide the right and necessary financial assistance to MSME groups and start-ups: Government of India and state governments should take initiative and implement various programs to attract people.
2. Being aware of the various schemes offered by governments to MSMEs. Since MSMEs play an important role in the economic development of the country, banks and other sources should provide financing cost-effectively according to the needs of different sectors of the MSME group.

3. Since the startup system is completely online, the Indian government should provide internet services to all the remote areas of the country so that entrepreneurs can deploy their innovations through their location..

#### Conclusion:

The MSME sector is a dynamic and vibrant sector of the Indian economy. It grew continuously in terms of new units registered, type of products produced and employment. The sector plays an important role in the economy and greatly affects the country's GDP, industrial production, export earnings, land area. Development and social stability. The Startup program is a great initiative of our honorable Prime Minister for all young entrepreneurs who have innovative ideas but lack a platform to start a business. Now, under this scheme, they will get tax exemptions and concessions on capital gains tax for three years. One point of contact for communication with the government. New innovation centers, research centers and institutes are established, and also in Exit - the startup has 90 days to close the business and many other benefits. Lack of latest technical skills, need-based research programs, lack of skilled manpower, low ICT literacy, etc. are

some of the reasons behind the technological lag of this sector..

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