

MSME GUJARAT 2015

BANKERS' PERCEPTION

A
PRESENTATION
BY R N DAS
DENA BANK

Profile of Gujarat

- Population: Over 50 million (5.0% of India)
- • Geographical area: 1,96,000 sq. km (6.2% of India)
- • Gross State Domestic Product (GSDP): US\$ 45.3 billion
- • Per Capita Income: US\$ 915 at current prices
- • Urbanisation: 37.4%
- • High industrial growth: Gujarat has demonstrated a high industrial growth rate of 12.5% from 2002-2007
- • Industrialisation: Gujarat is home to over 800 large industries and 3,45,000 micro, small and medium enterprises

Profile of Gujarat

Gujarat holds many records in economic development of country :-

- 20% of India's Industrial Production is from Gujarat
- 51% of India's Crude Oil Production is from Gujarat
- 50% of India's Natural Gas Production is from Gujarat
- 35% of India's Pharma production is from Gujarat
- 24% of India's Textile production is from Gujarat
- 20% of Indian Exports by value

Profile of Gujarat

- Has longest coastal line of 1600 kms and as many as 42 ports (major, minor, intermediary) with huge hinterland
- Has 6091 branches of Bank network with 70.47% branches in Rural and semi urban centres.
- Has best physical infrastructure

PROFILE OF GUJARAT

- As per MSME census 2006-7 conducted by MSME Ministry Gujarat has
 - 14.8% of total working MSMEs in India
 - Home of largest number of MSME (43% of India)
 - Medium Industries (39% of India)
 - Credit support only 6.94% of all India

Profile of Gujarat

- 82% of GSDP is from Industries and service sector
- GUJARAT CELEBRATES SWARNIM GUJARAT THIS year
- Gujarat aims at ' INCLUSIVE and RAPID GROWTH'
- Gujarat is the Industrial hub of the country and PREFERRED destination of investors

SME contribution to GDP

Small and medium enterprises (SMEs) are expected to contribute 22 per cent to India's Gross Domestic Product (GDP) by 2012, up from about 17 per cent at present, according to a survey by ASSOCHAM.

Accordingly Gujarat has to contribute good amount of GDP from MSME sector in Gujarat.

MSME till 2010 in Gujarat

- MSMEDA 2006 is a land mark in a way as
 - It gave clear definition of MSME
 - It included Service sector in MSME
 - It aimed at 20% growth each year to double credit to MSME sector by 2010
 - 40% of total finance to MSE has to go to Micro sector

Advances to SME sector in Gujarat

(Rs. In Crs.)

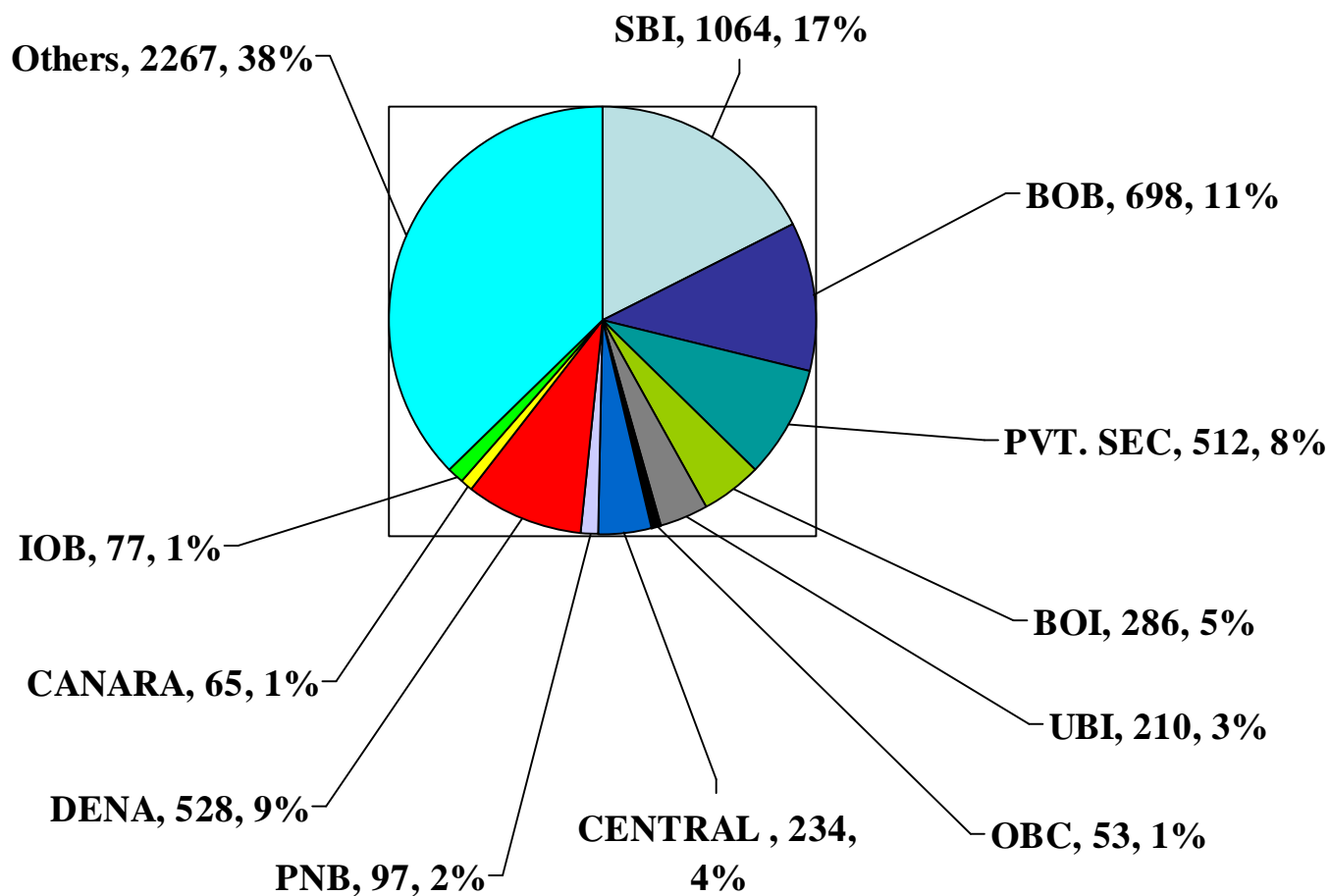
Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Loan Amt.	5366.00	7322.00	10593.00	12750.00	19859.00
Annual Growth		36.45%	44.67%	20.36%	55.76%

MSME in Gujarat in 20110

- In terms of % to ANBC it moved from 8.29% in 2006 to 15.06% in 2010 with CAGR of 37.6%
- As against target for doubling the credit to MSME by 2010 Gujarat has reached almost 3.75 times.
- **IT WAS POSSIBLE BECAUSE OF ACTIVE SUPPORT OF GOVERNMENT DEPARTMENT AND PARTICIPATION OF BANKS.**

Share of Major Banks

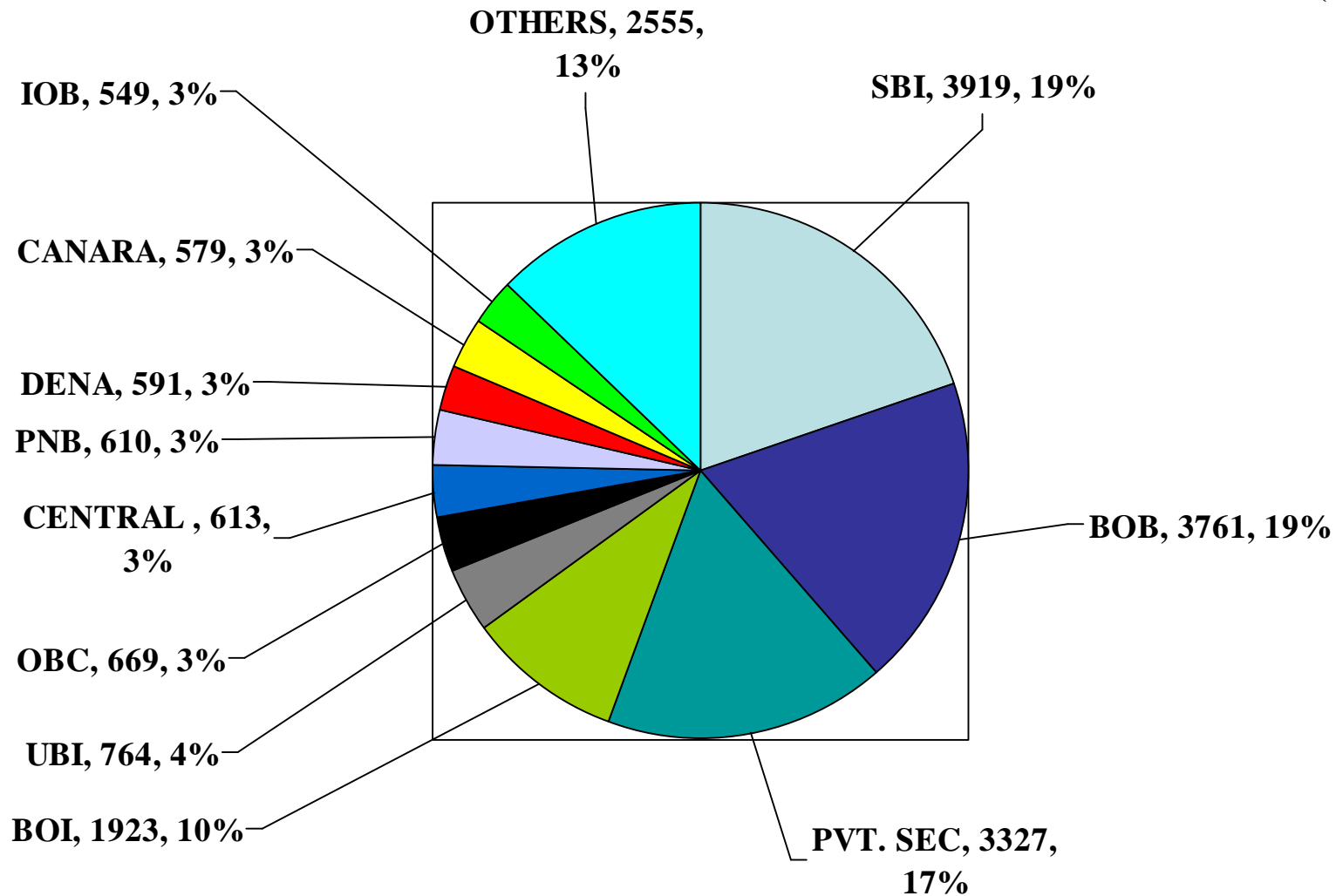
In Total 6091 Branches of all Banks of Gujarat
in Gujarat as of 31.03.2010



Share of Major Banks

in Total MSME Advances of Rs. 19859 crore in Gujarat
(as of 31st March 2010)

(Rs. In crore)



Micro and Small Enterprise

- Total exposure to MSE is Rs 17719 cr (89%)- Mfg Rs 12700 cr and services 5019 cr
- Total no of accounts 3.05 lacs -77887 Mfg and 227737 services
- Total exposure to Micro Rs 5886 cr(30% of total MSME and 33% of MSE)
- Number of accounts-2.04 lacs(45000 mfg and 1.58 lacs services)

Endeavor of Govt of Gujarat

Institutional support structure for MSME of Gujarat

- Small Industry Service Institute (SISI)- Now MSME
- Gujarat Institute of Development Research (GIDR)
- Entrepreneurship Development Institute of India (EDI)
- Center for Entrepreneurship Development (CED)

Endeavor of Govt of Gujarat

Support through Industrial Policy 2009

- Promoting geographical strengths to ensure balanced regional development
- Leveraging existing strengths and resources
- Increasing the efficiency of the institutional catalysing industrial development
- Improving infrastructure available in the state
- Enhancement of technical competence and manpower
- Creation of labour market efficiencies
- Rewarding adoption of new technologies, business sophistication and innovation
- Promoting holistic development

Endeavor of Govt of Gujarat

Vibrant Gujarat Summit

The last four summits, being conducted biennially since 2003, have been a major success and has attracted investment proposals of over US\$ 385 bn. On January 12-13, 2011 the 5th Vibrant Gujarat is scheduled to take place at Gandhinagar.

In Vibrant Gujarat Summit 2009 total 7235 MOU have been signed for MSME valuing 12212 crore generating 3.19 lac jobs.

Next vibrant Gujarat is scheduled in Jan 2011.

Cluster Approach

- There are, in all 83 industrial clusters for different industry groups have been identified in the state The State Government has taken initiatives to extend support for further strengthening these clusters through interventions such as technology up-gradation, quality improvement, setting up of common facility centres, skill development facilities, etc. with the active assistance of R&D institutions, as well as industry associations. Under the scheme, currently 22 clusters have been taken up for further development through various institutions.
- 49 SME clusters have been identified in Gujarat by UNIDO As per RBI Master Circular no RPCD.SME & NFS. BC. No.10/ 06.02.31/ 2009-10 July 1, 2009

Assumptions for GOG-Road map

- **GOG** should develop Central Registry System for MSME's
- All MSME units must be assigned Unique Identity No. by the Government
- All clusters identified must develop in time bound plan
- New clusters are to be identified and developed.
- Marketing strategy and incentive schemes for MSME products
- SEZ/SIR/GIDC should grow leading to growth of SME's side by side
- PPP Model should be encouraged

Assumptions for GOG-Road map

- CGTMSE Guarantee Fee should be subsidized if needed
- To muster support from various associations and Chambers
- To place MSME in Gujarat in global value chain
- Rehabilitation of sick MSMEs- survey and implementation- concessions

Assumption for banks –Road map

- To change mind set
- To move from “meeting target’ to ‘ meeting expectation’ concept
- Speedy disposal of proposals
- No instalment query.
- Simplification of application, documentation procedure
- More FLCC to be made use for credit counseling to micro entrepreneurs (Presently 24 in Gujarat)
- RSETI for training and credit linkage of micro entrepreneurs (Presently 23 in Gujarat)
- Credit linkage of SHGs / Sakhi Mandals for to boost micro entrepreneurship

Assumption for banks –Road map

- Bank's to introduce more transparent system of Credit Rating Exercise
- Application of IT enabled products to be introduce for SME's for more comfort & speedy results.
- All the banks may adopt Banking Code for MSEs to bring about uniformity in operations

Assumption for banks –Road map

- Mandatory collateral free lending upto Rs 10 lacs
- Popularise and encourage lending upto Rs 1 cr under CGTMSE
- Awareness creation and seminars
- Opening specialised more MSME branches and Central processing centres in the model of BOB and SBI
- Rehabilitation of sick units promptly.
- To increase credit to Micro sector of total MSE- 50% this year, 55% net year and 60% 2012-13

Role of RBI

- RBI on its own and by appointing creditable agencies should carry out regional survey for finding out various available opportunities for SME's
- RBI should go for mandatory collateral free loans upto Rs. 25.00 lac instead of Rs. 10.00 lac.
- RBI should create a helpline where issues related to MSME is solved immediately.
- Trading activity to be treated as MSME.
- Redefinition of MSME on turn over method or by raising limit of investment in plant and machinery or by the number of employees.
- To set up debt restructuring mechanism for MSME in the line with CDR even for units for sole banking arrangement and below thresh hold credit limit of Rs 10 crores.

Role of RBI

- RBI should implement the recommendation of KC Chakarborthy committee on ' Rehabilitation of Sick MSME'
- LOAN swapping scheme to be introduced to free MSE entrepreneurs from the clutches of money lenders- dearer credit

FOR CGTMSE

- Coverage under CGTMSE should be increased to 100% from 85% for mandatory collateral free limit Of Rs 10 lacs (presently available forRs 5 lacs)
- As and when RBI increases such limit CGTMSE should extend it automatically.

Expectation from Central Government

- National Registry system to be in place
- Interest subvention to SME in line with Agriculture.
- Securities and Exchange Board of India (SEBI) may expedite the process of setting up of SME Exchanges in consultation with all the stakeholders.

In 2005-06 MSME advances Rs.
5366.00 crore

IN 2009-10 it is Rs 19859cr(Say 20000
cr)

In 2014-15 SME advances
??????????????

Expected Advances to SME sector in Gujarat

(Rs. In Crs.)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Loan Amt.	29788.50	44682.75	67024.13	100536.20	150804.30
Annual Growth	50.00%	50.00%	50.00%	50.00%	50.00%

29

»THANK YOU