

SAFIN Workshop

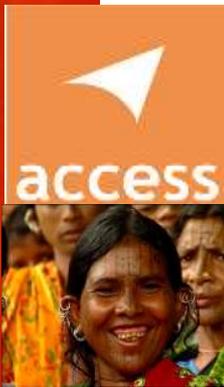
Mapping Initiatives & Tools on Supply & Demand Side

27 November 2017

Rome

ACCESS Development Services

Enabling Economic Empowerment



Institutionalizing ACCESS

Spun out of CARE

The Entity

Incorporated on March 1, 2006, as a Section 25, “Not for Profit” company facilitated by DFID (Govt of UK) and CARE India

It’s Vision...

ACCESS is a global partner of choice providing inclusive and innovative livelihood solutions enabling the poor to overcome poverty and live with dignity

...and Mission

To build capacity of community-based institutions that deliver relevant financial and livelihood services to the poor and unreached households



ACCESS 3-Tier Approach

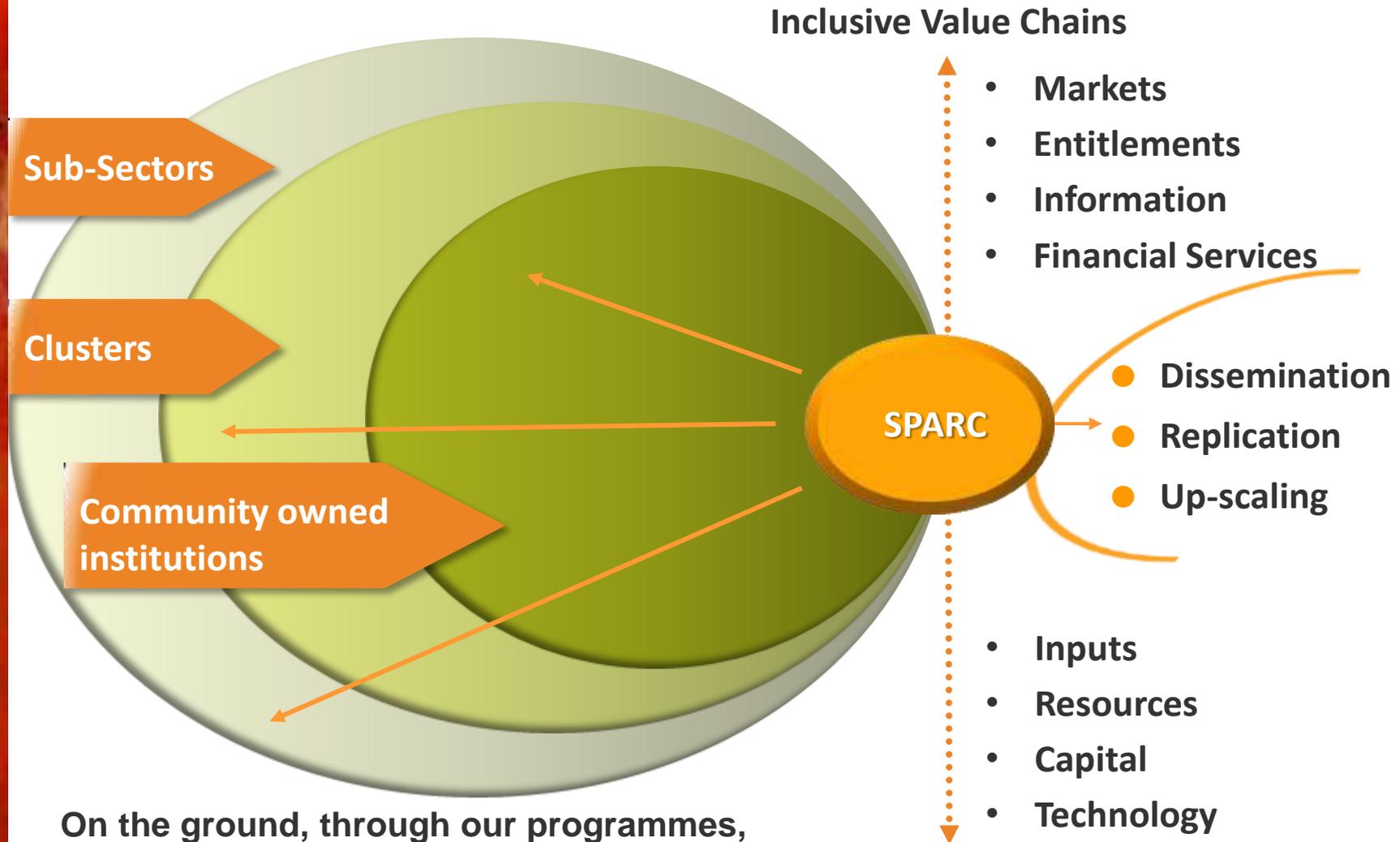
From primary producers to policy influencing





ACCESS Approach

Promoting Livelihoods on the Ground



On the ground, through our programmes,
ACCESS has promoted 128 Producer Cos. in India



ACCESS Universe

Specialized Affiliates



Access to
finance

**ACCESS
Ventures**
Holdings
Pvt. Ltd

Techno-
managerial
support



Access to
markets



Brands that support Products of the Poor



India: The MSMEs Sector at a Glance

The MSME Sector in India is important

- Consists of 29.8 million units, of which only 1.8 million are registered
- MSMEs in the manufacturing account for about 29%, with 71% in the services sector.
- SMEs contributes 8% to the nation's GDP
- Food processing is the key manufacturing industry (19%), and also is largely export oriented.
- 94% of these enterprises are unregistered, and in the unorganized sector
- MSMEs contribute
 - 45% to the country's manufacturing output
 - 40% to exports
 - Employs 80 million persons
 - Produces over 6,000 item
- The sector has been growing at an effective rate of 4% annually

Definition of SMEs in India

As per the MSMED Act, 2006^{1,2}

Categories	Manufacturing (investment in plant & machinery)	Services (investment in equipment)
Micro	Does not exceed INR 2.5 million (USD 38,226 ³)	Does not exceed INR 1 million (USD 15,291)
Small	More than INR 2.5 million (USD 38,226) but does not exceed INR 50 million (USD 764,526)	More than INR 1 million (USD 15,291) but does not exceed INR 20 million (305,810)
Medium	More than INR 50 million (USD 764,526) but does not exceed INR 100 million (USD 1,529,052)	More than INR 20 million (USD 305,810) but does not exceed INR 50 million (USD 764,526)

The definition is based on investment limits.

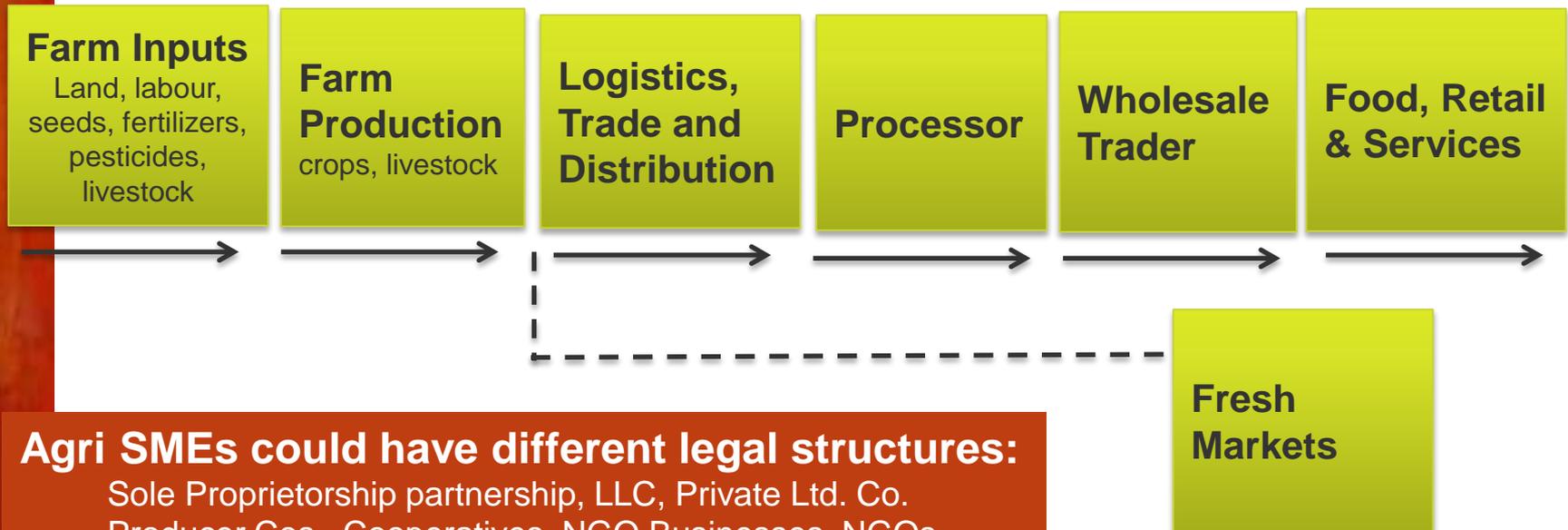
¹ Micro, Small & Medium Enterprises Development (MSMED) Act, 2006.

² Source: Govt. of India (2016), Committee Set up to Examine the Financial Architecture of the MSME Sector.

³ USD 1 = INR 65.40 as on 16 Nov 2017.

Defining Agri SMEs

- Agriculture is an important sector in India.
- Agri related SMEs are those businesses that operate within the agriculture value chain.
- These can include individual farmers and producers, as long as they are producing at a scale and where they need capital and support services to grow.



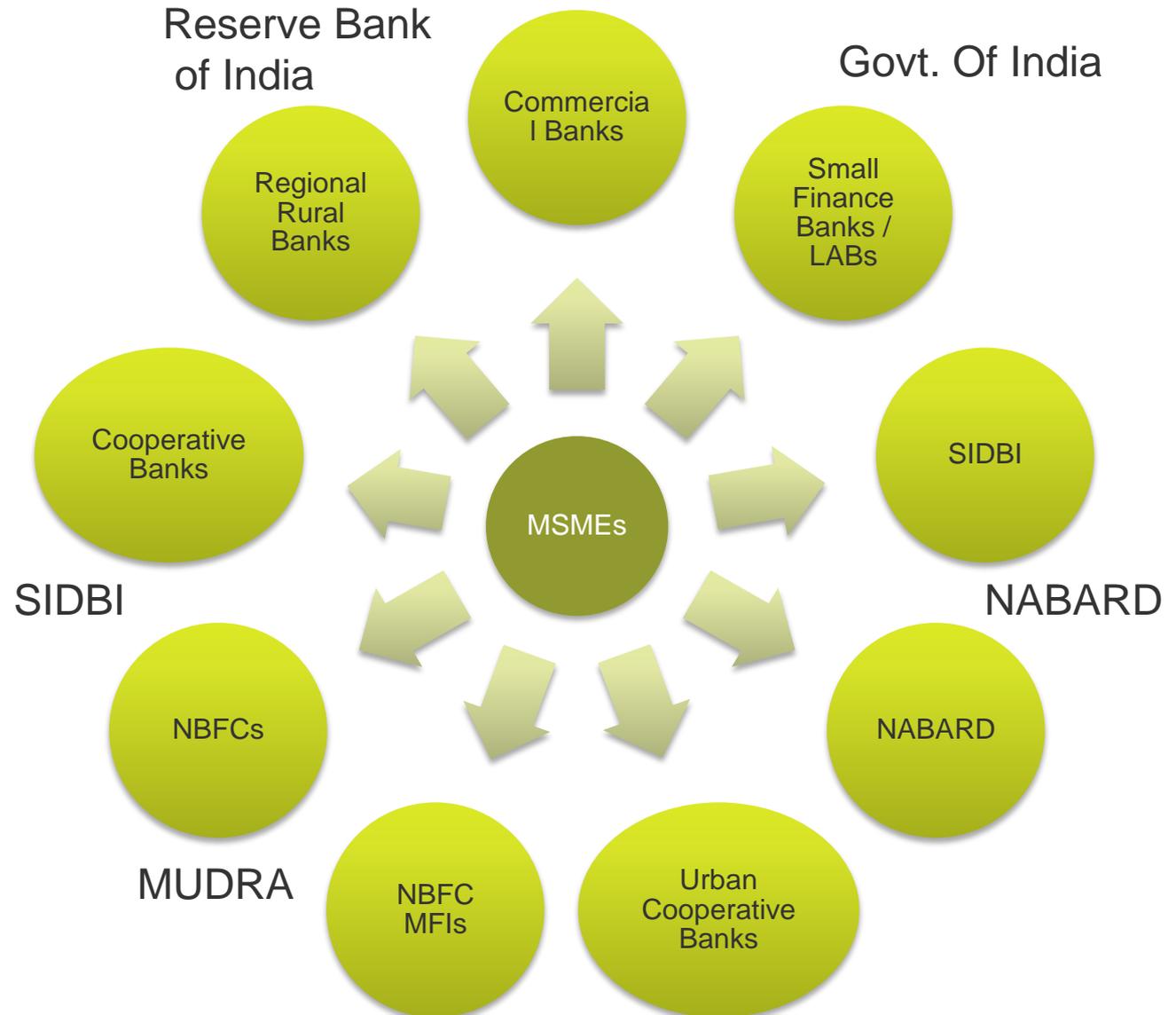
Agri SMEs could have different legal structures:

Sole Proprietorship partnership, LLC, Private Ltd. Co.
Producer Cos., Cooperatives, NGO Businesses, NGOs

The Lending Landscape

The Supply Side Financial Ecosystem for SMEs

- A fairly well developed financial Institutional Infrastructure exists in India for financing SMEs – both short term as well as long term
- Financial flows to the sector are well tracked by the RBI, Govt.



Demand Estimation SME finance

Methodology for extrapolation



Estimate average finance demand per enterprise - basis Gross Value Added, Asset-Turnover ratio for 10 industries contributing 80%.



Estimate overall debt and equity demand – basis Asset Turnover ratio, adjusting & extrapolating on 10 industries contributing 80%.



Estimate immediately addressable debt demand – basis % of SMEs apply to banks / NBFCs, rate of rejection, sickness ratio etc.

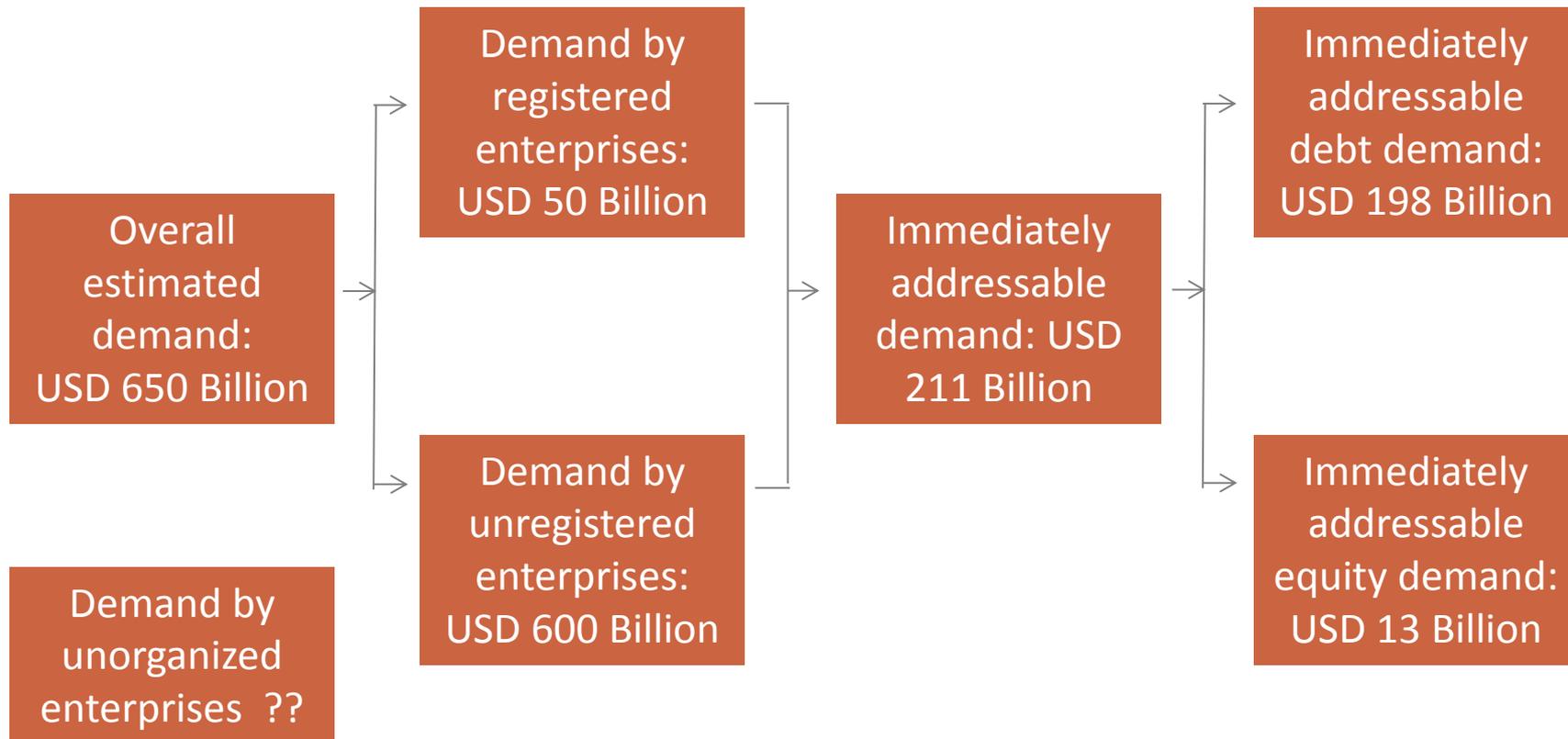


Disaggregate immediately addressable debt demand – industry survey and on that basis extrapolation.



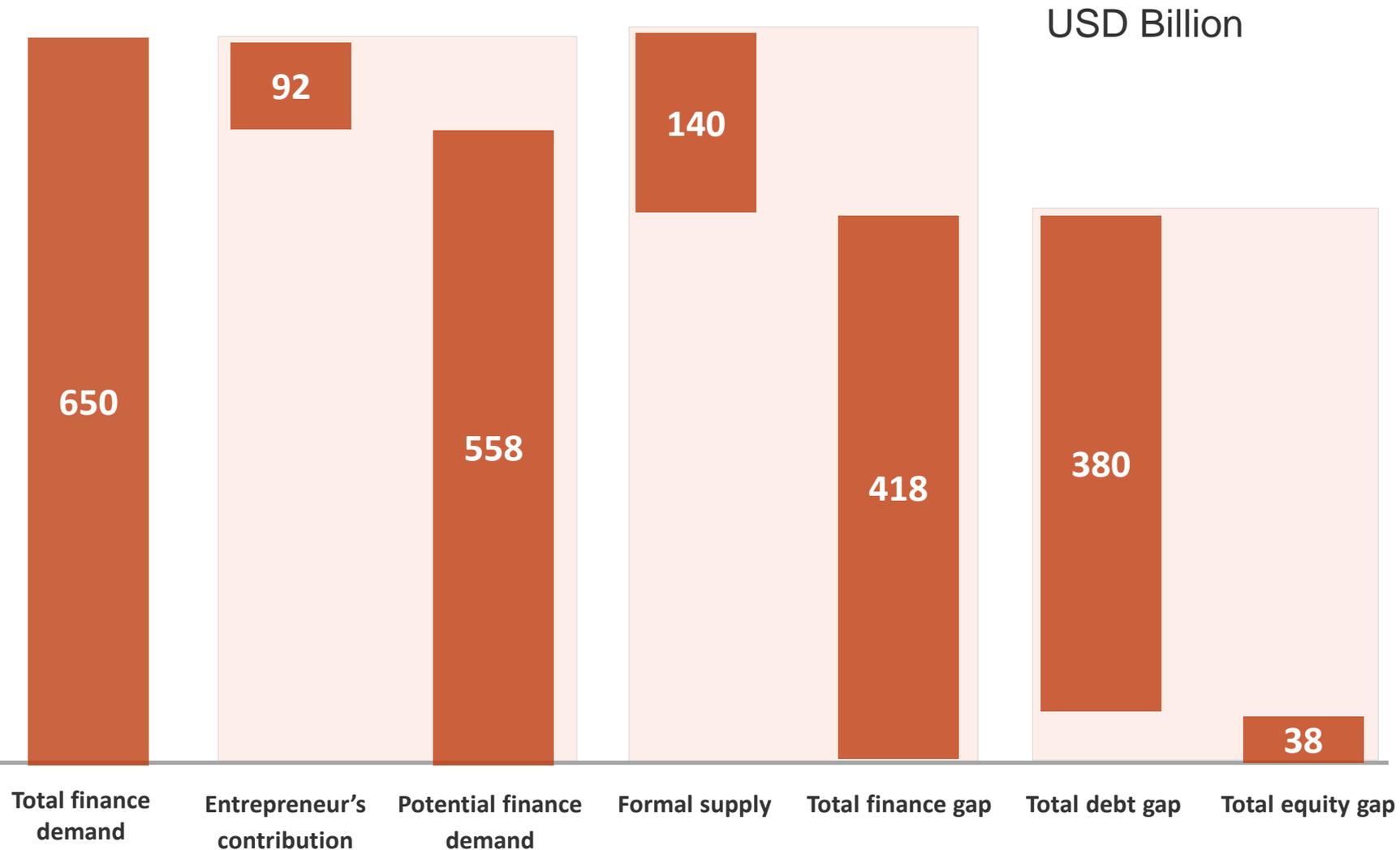
Disaggregate immediately addressable equity demand – industry survey and on that basis extrapolation.

Demand Estimation for Finance by the SMEs



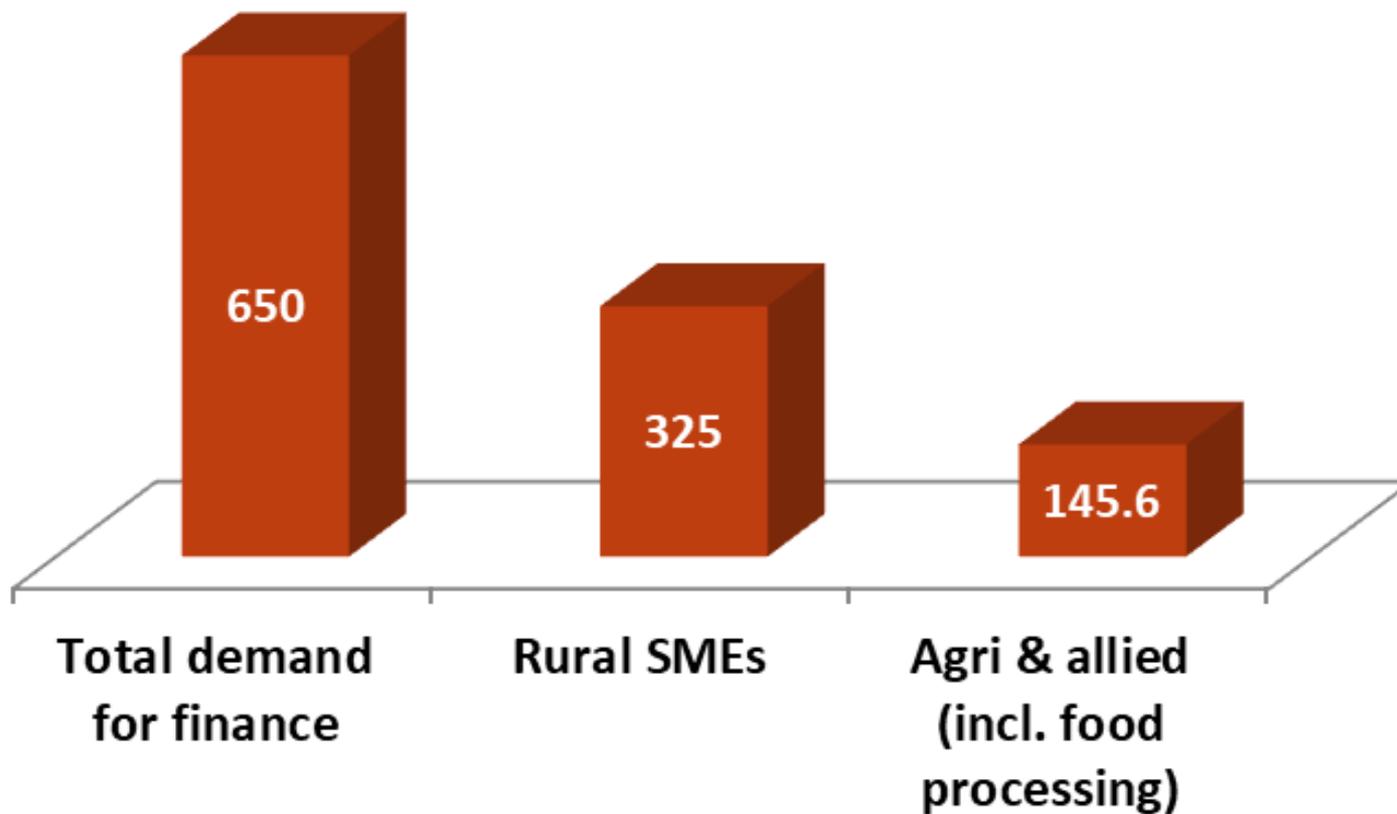
- ✓ About 94% among SMEs are unregistered enterprises.
- ✓ Finance demand of the unorganized SMEs is not part of the total estimated demand.

India: Demand for Finance by the SMEs



Demand for Finance (estimate)

For Rural, Agriculture and Food processing SMEs



- ✓ Estimation: Rural SMEs are 60% in number of total SMEs, contributing around 40% in gross value added, extrapolating accordingly.
- ✓ Similarly, agri, allied and food processing SMEs form 22.4% in number contributing around similar percentage in gross value add, worked out accordingly as proportion of total demand.



Govt. Policy Initiatives to Enhance Credit Flow

- ✓ 'Priority Sector Lending' - 7.5% (of Net Bank credit) to SMEs
- ✓ SIDBI & MUDRA established to facilitate easy access to credit
- ✓ Several credit guarantee (CGTSMSE) schemes
- ✓ Professional credit intermediaries/advisors for SMEs like SIDBI's Udyami Mitra
- ✓ Refinance incentives to lending institutions by MABARD, SIDBI, MUDRA
- ✓ Stand Up / Start Up schemes of the Government



Some quick suggestions for demand tracking

- SIDBI's web portal capturing demand for finance from the SMEs
- Govt.'s annual survey of industries to provide data on number of SMEs, Gross Value Add, investment in assets etc. to provided different demand estimates.
- Integrating demand potential as a part of NABARD's Perspective Linked Plans (PLPs) to provide demand estimates.
- Credit bureau information for SMEs applying for finance from banks and NBFCs
- Through the Stand Up / START UP India portals
- Through the MUDRA portal
- Annual Survey of Industries (provides no. of enterprises / employment data)
- Economic Census of India – possibility for integration
- SIDBI's Udhayami Mitra Scheme based on IT architecture for capturing financial and non financial service needs through 12,5000 bank branches and 17,000 hand holding agencies
- Through MFIs / FPOs

T H A N K S

