

MSMEs told to look for alternative funding sources

Our Bureau

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Despite banks stepping up funding to micro, small and medium enterprises (MSMEs), this sector continues to smart a under financial crunch.

In order to ensure the desired growth rate of these units, alternative funding mechanisms should be put in place, Mr Ramesh Datla, Chairman of Confederation of Indian Industries (CII), National MSME Council, said.

More than 30 per cent of the units in this sector were facing financial woes.

He was bullish on the proposed SME exchange, which is expected to be operational next fiscal.

"This will certainly help SME units raise funds," he told media persons on the sidelines of an Investors Meet for SMEs here on Tuesday.

DEBT-EQUITY MIX

"More than 60 per cent of the units in the MSME sector depend on debt to raise funds for their long-term financial needs.

For short-term requirements, about 75 per cent of the units take to debt financing, while 15 per cent take



the equity route," he said.

He felt that measures such as removal of 24 per cent FDI cap for MSMEs and 20 per cent mandatory procurement of goods and services from MSMEs by the Government will help this sector

The CII, in its pre-Budget memorandum, has suggested that banks create a platform for interaction between the SME units and venture capital fund managers. It has also proposed to the Government to set up two funds — Green Technology Fund and R&D Fund.

"We have also proposed a separate technology fund to check pollution in this sector. The Ministry is consid-

ering it and we hope something will emerge in the next six months," Mr Datla said.

GUIDELINES TO BANKS

Mr S. Venkataraman, General Manager (Technology), State Bank of Hyderabad, also urged SMEs to look for alternative sources of funding, instead of totally relying on banks for credit.

Mr J. Meghanath, Deputy General Manager of RBI, said the apex bank had issued guidelines to banks for meeting the necessary credit requirements of the MSME sector. Banks have to achieve 20 per cent growth in MSME lending every year.