

Micro, Small and Medium Enterprises (MSME) in India; Financing by banks

¹Santosh Kumar Munda, ²Sukhamaya Swain

¹Associate Vice President, UTI Asset Management Co. Ltd.

²Circle Business Banking Head, Odisha Circle, AXIS Bank

ABSTRACT: Adequate and timely availability of Finance is one of the most important key inputs for any business. This is equally applicable while setting up of a MSME unit by an entrepreneur. Micro, small or medium business owners are generally first time entrepreneurs with very little capital or without capital, need not only technical, marketing and managerial support but also require the much needed seed capital to start the business. Many MSME units also need additional capital for technology up gradation, capacity expansion growth, and marketing and for imports and exports. Banks in India have been providing financial facilities to numerous businesses through their branch offices, regional offices in across the length and breadth of the country. In Odisha also banks have been providing all forms of financial support to these MSME entrepreneurs, in turn this MSME sector have been able to add value to the GSDP and in the process have made a mark for themselves by way of being the second highest employment generation sector in the state.

I. IMPORTANCE OF MSME FOR INDIA

According to the Fourth Census of MSME in 2006-07 in India, the number of MSMEs was estimated at 36.17 (only 1.56 million registered-source MSME annual report 2012-13, Government of India) million employing about 80.52 million persons. By the year 2011-12 the estimated numbers of MSME units were 44.77 million with employment of 101.26 million persons. Out of these MSMEs, 31.79 percent are engaged in manufacturing and 68.21 per cent in service enterprises. This sector contributes to about 44 per cent of the total manufacturing output and accounts for over 40 per cent of the total exports of the country and forms the second largest source of employment next only to agriculture. In the process the sector manufactures more than 6000 products. MSME sector is better employment generating sector. The organized industrial sector requires an investment of 0.67 million rupees to generate employment of one person, whereas the MSME sector generates employment of 1.27 persons with the same investment.

On this back ground, we have analyzed the position of Odisha state to find out the areas of strength, weakness and opportunities to make them more effective and follow the path of accelerated growth in MSME sector. The role of commercial banks for the development of MSME sector in the state is immense and therefore but necessary to be analysed to understand the effectiveness of finance for the growth of this key sector in the state.

The importance in utilization of local resources to generate employment and improve living standards of people, who are not employed in large industries, agriculture and services sector, Government of India and likewise State governments including State Government of Odisha have also started giving stress for the development MSMEs. The number of small scale industries and what is called MSME has been increasing overtime in the state of Odisha. During 2011-12 the maximum number of MSME was set up in Sundargarh district, followed by Khurdha, Cuttack and Ganjam districts.

Over the years commercial banks in India as a whole have helped MSME sector to grow and contribute to the GDP and employment generation. In Odisha also MSME sectors have been contributing towards the GSDP and employment generation. Bank credits to MSME sector in terms of MSME Development Act, 2006 qualify for priority sector lending.

II. OBJECTIVES

- To identify constraints faced by MSME sector
- To compare MSME in Odisha with that of India,
- To understand the role of commercial banks in the development of MSME in Odisha; and
- To recommend specific measures to improve outcome

III. METHODOLOGY

This paper examined the importance, contribution and development potential of micro, small and medium enterprises in the state of Odisha. The role of commercial banks' financial support in the development process of this sector is analyzed from the annual credit data. Data was collected primarily from secondary source. Primary data are collected from various clusters. In addition to that data are collected from success story of MSME clusters. Secondary data are collected from published and unpublished reports, books, journals and various seminars.

IV. MSME STORY OF INDIA

It is indeed necessary to bring before you the growth trends of India so as to understand the real situation of State of Odisha. From Table 1, it is observed that at the end of year 2011-12 a projected total of 44.77 (a growth of 4.42 per cent than previous year) million MSME units present in the country with a projected employment of about 101.26 million people a growth of 4.86 per cent than previous year.

Table 1: All India trends of MSME, growth on investment and employment

Year	Total No of Units (in lakh)	Investment (Rs. Crores)	Employment generated (lakh persons)	Production at current price (in Rupees Crores)
2006-07	361.76	868543.79	805.23	1351383.45
2007-08#	377.37	917437.46	842.23	1435179.26
	(4.32)	(5.63)	(4.59)	(6.20)
2008-09 #	393.7	971407.49	881.14	1524234.83
	(4.33)	(5.88)	(4.62)	(6.21)
2009-10#	410.82	1029331.46	922.19	1619355.53
	(4.35)	(5.96)	(4.66)	(6.24)
2010-11#	428.77	1094893.42	965.69	1721553.42
	(4.37)	(6.37)	(4.72)	(6.31)
2011-12 #	447.73	1176939.36	1012.59	1834332.05
	(4.42)	(7.49)	(4.86)	(6.55)

#Projected data. Source: MSME Annual Report 2012-13, Government of India

The figures in brackets show the % growth over the previous year.

Ten lakh is equal to one million, one crore is equal to Ten million

Table 2: Contribution of MSMEs to GDP of India

Year	Contribution of MSMEs (%) at 1999-2000 prices	
	Total Industrial Production	Gross Domestic Product (GDP)
1999-2000	39.74	5.86
2000-2001	39.71	6.04
2001-2002	39.12	5.77
2002-2003	38.89	5.91
2003-2004	38.74	5.79
2004-2005	38.62	5.84
2005-2006	38.56	5.83
2006-2007**	44.12	7.44
2007-2008**	45.00	8.00

** The data for the period upto 2005-06 is only for small scale industries (SSI).

Subsequent to 2005-06, data with reference to micro, small and medium enterprises are being reflected.

Source: MSME annual report 2009-10 Government of India

From Table 2, it can be seen the contributions of MSME sector to the Gross Domestic Product (GDP) of the country and also the growth trend. In the year 2007-08 this sector had given an estimated contribution of around 45 per cent of total industrial production and 8 per cent of GDP which was about 39.74 per cent of industrial production a decade ago (1999-2000) and was contributing to 5.86 per cent of GDP at that time. From this data it is clear that there has been a positive growth in industrial production and contribution to GDP in all

the years of last one decade. Another important factor is over the last one decade this sector has always inched up its contribution to GDP.

One of the factors of smooth functioning of any sector is its ability to finance. The credit flow from banks to any sector is an indicator of its importance. Considering the ability of employment generation and contribution to GDP, Government of India formulated MSME Development Act, 2006. Since then banks have been able to direct their MSME lending activity in a considerable manner. The Table 3 gives us the vital information, about the year after year growth in net bank credit since 2006, the key to the robust growth of the sector. In the year 2006 there was a growth of 21.30 per cent seen than the previous year. Highest growth of credit was achieved in the year 2008 (67.71) percent with least growth seen in the year 2012 (7.19 percent).

Table 3: Outstanding bank Credit to MSME in India

As on last reporting Friday of March	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
2005	67,800	8,592	6,907	83,498
2006	82,434	10,421	8,430	101285
	(21.58)	(21.29)	(22.05)	(21.30)
2007	102550	13,136	11,637	127323
	(24.40)	(26.05)	(38.04)	(25.71)
2008	151137	46,912	15,489	213538
	(47.38)	(257.13)	(33.10)	(67.71)
2009	191408	46,656	18,063	257361
	(26.65)	(-0.55)	(16.62)	(20.52)
2010	278398	64534	21069	364001
	(45.45)	(38.32)	(16.64)	(41.44)
2011	376625	87857	21461	485943
	(35.28)	(36.14)	(1.86)	(33.50)
2012	395976	105085	19839	520900
Provisional	(5.14)	(19.61)	(-7.56)	(7.19)
<i>Source: MSME Annual Report 2012-13, Government of India</i>				

Note:

- Figure in parentheses indicates year-on-year growth.
- The high growth witnessed during 2008 is on account of re-classification of MSEs as per MSMED Act, 2006. Firstly, the investment limit of small (manufacturing) was raised from Rs.1 crore to Rs.5 crore and small (services) was added to include enterprises with investment limit between Rs.10 lakh to Rs.2 crore. Secondly, the coverage of service enterprises were broadened to include small road and water transport operators, small business, professional and self-employed and all other service enterprises as per definition provided under MSMED Act, 2006.
- One crore equal to 10 million

Table 3: Outstanding bank Credit to MSME in India

Sr No	Name State	Per capita income (Rs)
1	Haryana	59169
2	Maharashtra	62729
3	Gujarat	52708
4	Punjab	44885
5	Kerala	49873
6	TamilNadu	51117
7	Himachal Pradesh	47106
8	Kamataka	37874
9	Andhra Pradesh	40366
10	West Bengal	31673
11	Rajasthan	26436
12	Odisha	23875
13	Madhya Pradesh	22264
14	Uttar Pradesh	17374
15	Bihar State	12102
National per capita income during the period was Rs.53331.00		

Source: Economic Survey 2012-13, Government of Odisha

The per capita income of major states and all India per capita income is mentioned in Table 4 to understand about the position of average income of people of Odisha. This data can be read in conjunction with poverty statistics given in this paper and understand the situation of people living in poverty, which needs urgent attention.

V. MSME IN ODISHA

MSME units are increasing day by day in the state. It is important to understand the MSME sector development in terms of number of units and employment opportunities generated which will give vital information of the opportunities that may be explored in development of MSME sector in Odisha. The details of MSME are presented in Table 5 & 6.

Table 5: MSME (Registered) units and employment generation-Odisha

Year	MSME units setup (Cumulative)	MSME units set up during the year	Investment made (Rupees in million)	Employment generated (number of persons)
2000-01	66206	3676	1531.8	18115
2001-02	70125	3919	1652.3	16582
2002-03	74133	4008	1551.4	16320
2003-04	78568	4435	1701.3	20547
2004-05	83075	4507	2455.9	21898
2005-06	87861	4786	2704.4	25142
2006-07	92417	4556	2711.4	20839
2007-08	97127	4710	2955.1	23301
2008-09	101933	4806	2279.2	20996
2009-10	106840	4907	2923.4	23195
2010-11	111856	5016	3950.2	24451
2011-12	117361	5505	5007.3	30287
TOTAL		54831	31423.7	261673
<i>Source: Economic Survey, Odisha: 2012-13</i>				

Table – 6: Sector wise classification of MSMEs in Odisha

Category	No of units set up	Investment (Rs. Million)	Employment (No. of persons)
Food & Allied	25683	12035.3 (26.53)	136814 (20.14)
Chemical & Allied	2910	2177 (6.53)	22391 (3.30)
Electrical & Electronics	1154	667 (2.14)	7353 (1.08)
Engineering & Metal	12919	9219.3 (30.24)	95989 (14.13)
Forest & Wood based	7030	798.9 (3.76)	44167 (6.50)
Glass and Ceramics	8495	5470.1 (26.72)	136523 (20.10)
Livestock & Leather	451	75.3 (0.50)	2559 (0.38)
Paper & Paper Products	2982	1180.2 (7.91)	16497 (2.43)
Rubber & Plastics	1792	1925.7 (14.01)	10817 (1.59)
Textiles	8608	1340.5 (11.34)	50634 (7.45)
Misc. manufacturing	6459	1937.7 (18.49)	31489 (4.64)
Repairing & Services	38878	8539.8 (18.82)	124005 (18.26)
TOTAL	117361	45366.90	679238
<i>Source: Economic Survey, Odisha: 2012-13.</i>			
<i>Figures in parenthesis are percentage to total</i>			

Table Nos. 5 and 6 reveals that the number of MSME units set up during a year has been increasing over the years. The total amount of investment is also revealing an increasing trend except for 2002-03 and 2008-09. By looking into the intra MSME units it reveals that the maximum number of MSMEs belongs to the repairing and services sub-sectors. It is the food and allied sector that has attracted the highest investment of 26.53 per cent. In employment generation it is also the highest employment sector (20.14 per cent), followed by glass and ceramics (20.10 per cent). As a whole the number of MSMEs has increased from 66206 to 117361 over a period of time from 2000-01 to 2011-12.

The traditional employment oriented industries are under the coverage of MSME. These industries are Handloom, Handicraft, and Sericulture and Coir industries along with the other sub-sectors as in Table 6

Table 7: Estimated employment figures for Odisha In million persons

Attributes of labour force	2007-08	2008-09	2009-10	2010-11	2011-12
Estimated Labour Force at the beginning of the year	14.84	15.05	15.52	15.47	15.68
Projected Annual Growth Rate (%)	1.38	1.38	1.38	1.38	1.38
Addition during the year	0.21	0.21	0.21	0.21	0.22
Labour Force at the end of the year	15.05	15.25	15.47	15.68	15.89
Total Work Force at the the beginning of the year	13.43	13.64	13.85	14.06	14.28
Projected Annual Growth Rate of Work Force (%)	1.55	1.55	1.55	1.55	1.55
Additional Work Force/Employment generation during the year	0.21	0.21	0.22	0.22	0.22
Magnitude of Unemployed at the beginning of the year	1.41	1.41	1.41	1.40	1.40
Magnitude of Unemployed at the end of the year	1.41	1.41	1.40	1.40	1.39
End of the year Unemployment (%)	9.37	9.22	9.07	8.92	8.76

Source: Economic Survey, Government of Orissa, 2009-10

VI. WEAKNESS OF LARGE SCALE INDUSTRIES

a. Displacement

Development projects no doubt have the potential to bring enormous benefits to human society but the cost imposed by these is often borne by the poorest and the most marginalized sections of society. For millions of people around the world- development has cost them their homes, their livelihoods, their health and even their very lives. It is often characterized by impoverishment & disempowerment with especially harsh consequences for vulnerable groups like women and children.

The empirical studies on displacement reveals that, according to estimate made by Dr. Walter Fernandes and Md. Asif on the displacement of human population in Orissa due to the establishment of mega projects from 1951 to 1995 clearly states that Hydro-electric multi-purpose projects have displaced 3,25,000 people of which only 90,000 people (27.69 per cent) have been rehabilitated. Similarly, due to industrial projects out of 71,794 displaced people in Orissa, only 27,300 (30.03 per cent) have been rehabilitated; while mining projects displaced around 1,00,000 people of which 60 per cent have been rehabilitated and due to declaration of sanctuary around 50,000 people have been displaced of which only 15,540 (31.08 per cent) are rehabilitated. In total these mega projects during a period of four and half decades have displaced around 5,46,796 people of which only 35.27 per cent (1,92,840) people have been rehabilitated. According to official estimates the total number of families displaced due to river dam projects and other development projects in Orissa in 1950-1953 was 81176 of which 80 per cent families have been displaced due to irrigation projects only.

In Odisha, Mittal Steel NV is in the process of acquiring land for setting up of a 10 million ton per annum capacity green field steel plant in Keonjhar district, Odisha. Around 9,377 people from 16 villages will have to be relocated for the project. People from these villages are demanding relocation of the project. Similarly POSCO India Private Limited is acquiring land for its 12 million ton (per annum) steel plant in Jagatsinghpur district which again is facing large scale opposition from people of the villages who will be losing their land and livelihood permanently.

b. Unemployment

The estimated employment-Unemployment situations need to be analyzed to understand the situations of unemployed people in the state. The Economic Survey of Odisha for 2012-13 shows that there are 1064 thousand job seekers registered in different employment exchanges in Odisha at the end of 2011 where as a mere 3775 placements were made during the year. The Economic Survey of Odisha, 2009-10 provides the vital statistics as given in Table 7.

From Table 7 we observe that an estimated 1.40 and 1.39 million employable people will remain unemployed at the end of 2010-11 and 2011-12 respectively, which is 8.92 per cent and 8.76 per cent of the total employable work force of the state. The unemployment situation gives rise to multiples of problems such as labour migration especially unskilled/semi-skilled labour migrate to neighboring states to work in unhealthy conditions and sometimes fall into the hands of labour contractors and get exploited. In some cases youths get lured to anti-social activities such as "Naxalism", with the hope to earn easy money. Odisha is one state severely affected by "Naxalism".

c. Poverty

Though Odisha has been able to reduce the poverty percentage by 7.25 per cent from 47.15 per cent to 39.90 per cent (All India Average 21.80 per cent) during the period 1999-2000 to 2004-05, still Odisha has the highest percentage of poverty among the major states. There is disparity in reduction of poverty among NSS (National Sample Survey) region and by social groups also. The rural Odisha had poverty percentage of 39.80 per cent as against the urban Odisha percentage of 40.30 per cent. The incidence of poverty in coastal, southern and northern region was 18.37 per cent (45.33 per cent in 1993-94), 62.50 per cent (68.84 per cent in 1993-94) and 43.69 per cent (45.87 per cent in 1993-94) respectively. By social groups Scheduled Tribe (ST) communities had the highest incidence of poverty of 64.30 per cent (71.31 per cent in 1993-94) followed by Scheduled Caste (SC) communities of 38.60 per cent (49.79 in 1993-94) and Other Backward Castes (OBC) 24.50 per cent. About 65 per cent of the total poor in rural Odisha belong to either ST or SC groups. Majority of these communities reside in the districts of Keonjhar, Mayurbhanj, Sundergarh, Koraput, Kalahandi, Boudh, Phulabani and Malkangiri which have the large forest coverage and incidentally having full of natural resources.

VII. ROLE OF COMMERCIAL BANKS IN MSME DEVELOPMENT IN ODISHA

Banks both PSU and Private sector have played a very important role in the development of MSMEs in the state by providing the much needed financial help to entrepreneurs through various schemes announced by Central as well as State Government. Finance provided to these MSME units, in conformity to MSME Development Act, 2006 also qualifies for priority sector lending and hence banks are always motivated to provide finance to all viable projects.

Banks are not only the provider of finance but also supporter in project analysis and the guiding force for entrepreneurs to run their business in a viable manner. In many a times they also provide information about new technology, markets etc. Banks maintain close and regular contact with MSME units for financial needs of later.

Table 8: Bank wise MSME lending figures for the state of Odisha from 2008-13.(Rs. In crores)

Sl. No.	Name of Bank	2008	2009	2010	2011	2012	2013
1	Allahabad Bank	47.78	82.33	89.91	115.37	177.30	616.81
2	Andhra Bank	141.06	148.40	207.45	233.13	467.76	617.92
3	Bank of Baroda	101.73	246.30	393.57	565.63	833.79	956.83
4	Bank of India	173.82	219.30	194.87	202.90	1096.90	1042.94
5	Bank of Maharashtra	0.43	0.59	0.20	1.90	3.15	6.90
6	Canara Bank	125.93	309.43	391.20	534.57	708.60	749.15
7	Central Bank of India	56.61	52.43	118.41	162.81	45.54	241.11
8	Corporation Bank	4.15	7.01	8.61	18.82	36.40	195.00
9	Dena Bank	2.10	2.89	6.83	8.15	14.63	252.30
10	IDBI BANK	0.00	94.19	191.07	27.81	47.81	72.51
11	Indian Bank	38.05	30.22	11.51	35.78	73.73	140.18
12	Indian Overseas Bank	37.34	85.40	154.33	48.45	315.73	466.11
13	Oriental Bank of Com.	11.23	11.75	67.87	132.58	576.26	646.57
14	Punjab National Bank	98.38	102.01	175.76	431.40	772.50	996.84
15	Punjab & Sind Bank	0.82	0.39	2.72	10.16	11.92	17.00
16	State Bank of India	785.68	1004.79	2190.40	2329.38	3030.95	3211.00
17	S B of Bikaner & Jaipur	2.63	7.04	7.33	9.52	18.57	66.96
18	S B of Hyderabad	3.04	10.42	6.44	25.03	19.80	45.93
19	S B of Travancore	0.11	0.00	0.32	1.58	3.35	0.00
20	State Bank of Mysore	2.73	3.65	6.59	2.16		13.59
21	Syndicate Bank	39.42	52.03	166.87	185.26	187.61	218.11
22	Union Bank	67.00	80.63	197.78	263.34	535.98	701.12
23	United Bank of India	119.09	105.96	118.85	153.80	485.15	522.00

24	UCO Bank	401.96	330.53	602.44	746.71	1343.87	1397.56
25	Vijaya Bank	12.75	18.76	30.46	30.69	48.85	57.77
Total Public Sector Banks		2273.83	3006.45	5341.79	6276.93	10856.15	13252.21
26	Centurion Bank	0.00					
27	Federal Bank	0.00	0.00	58.13	33.31	41.22	48.32
28	HDFC BANK	4.52	7.00	176.87	207.46	273.96	331.00
29	ICICI BANK	11.87	7.87	42.77	169.20	318.40	215.32
30	Karnatak Bank Ltd.	0.00	0.74	0.73	1.57	81.54	85.57
31	Karur Vysya Bank	0.00	0.00	0.00	0.00	2.84	0.00
32	Rajasthan Bank Ltd.	0.00	0.00	0.80			
33	Vysya Bank	2.45	0.00	0.00	1.30		16.43
34	AXIS Bank	111.87	2.02	240.02	387.60	676.77	553.38
35	Indus Ind Bank	0.05	0.00	197.06	248.49	324.52	278.15
36	The South Indian Bank.	0.00	0.00	0.00	0.00	0.00	0.00
37	Lakshmi Vilas Bank Ltd.		0.00	0.00	0.00	0.00	0.01
38	Kotak Mahindra Bank Ltd					75.33	57.85
Total Private Sector Banks		130.76	17.63	716.38	1048.93	1794.57	1586.03

The year wise credit provided by both PSU and Private sector banks since 2008 to 2013 given in the Table No.8 shows the year on year growth in their lending activities which shows the banks inclination to meet their annual lending targets to the sector.

From the analysis of data in Table No.8, It is clear that public sector banks are playing the dominant role in the segment. One point to be noted out here is that amongst the private sector banks, there is lack of necessary focus on the preparation (read submission) of the SLBC data. While the broad important parameters like Loans, Deposits, CD Ratio and the branches are being taken into consideration, they must not be preparing the data seriously. Unlike public sector banks, they do not have dedicated officials to handle the data management and submission. The other reason could be that PSU bank branch network as a combination has been growing at a much faster rate than their private sector counterparts. Further information can be gathered from the data is as many as 13 public sector banks which have seen increase in their portfolio (in this segment) over each of the years. We have SBI, Allahabad Bank, Andhra Bank, Bank of Baroda, Canara Bank, Corporation bank, Dena Bank, Oriental bank of Commerce, Punjab National bank, State Bank of Bikaner & Jaipur, Syndicate Bank, Union Bank and Vijaya Bank.

Similarly in the private sector, we have HDFC Bank and Karnataka Bank which are leading the show every year.

VIII. ATTACKING GROWTH OF MSME; THE CLUSTERWISE WAY

Cluster development model suggested by UNIDO is best suitable for the setting up, growth and sustainability of MSME units. Under the cluster model one particular area is recognized as cluster and entrepreneurs are encouraged to set up units which use similar raw materials, market and produce similar finished products. By following this model they will be able to share common infrastructure like road, storage, market for both, raw materials and finished goods, transportation, technology and finance.

The example of successful clusters are “Machining and Fabrication Cluster-Rourkela” where about 140 MSME units are located in and around Rourkela providing support to the mother plants like Rourkela Steel Plant, OCL and Larsen & Toubro.

The other example is the “Non-Timber Forest Product (NTFP) Cluster-Baripada” with the UNIDO intervention 15 villages were combined, trained, provided machines to produce sal-leaf plates, which enabled these villagers to earn better income than earlier. The families mainly belong to local tribal groups.

IX. SUGGESTIONS

By looking into the strength, weakness and opportunities of MSME in Odisha, we would like to suggest the following for the benefit of the stake holders in particular and economic development of the state in general.

- 1) A cluster centric development plan for each potential clusters may be prepared for long term development.
- 2) District Industrial Centers should be pro-active in providing help both to the entrepreneur and bankers.
- 3) There is need for making handloom and handicraft sector more market friendly and competitive to strengthen MSME.
- 4) Weavers need further capacity building. They have to be trained in texture design market required color combination and better technology.
- 5) Special training and exposure visit of weavers and crafts men.
- 6) Development of “Handloom mark” in the line of “Wool mark”.
- 7) Private sector participation may be encouraged.
- 8) Government may establish suitable handicraft training school (NID) standard at Bhubaneswar.
- 9) Government may nominate master craftsman to Rajya Sabha for empowerment.
- 10) Government may like to develop suitable infrastructure at the developmental hubs.
- 11) For improving the welfare of the participants following instruments may be introduced.
 - (a) Issue of photo identity card
 - (b) Extending insurance coverage to all family members
 - (c) Providing educational scholarship to their children

X. CONCLUSION

MSME being the second highest employment generation sector is next only to agriculture, this sector need special attention of the state government, policy makers and implementation. This is all the more necessary and a very powerful engine realizing the twin objectives of ‘accelerated industrial growth’ and ‘creation of additional productive employment potential’ in rural and backward areas.

There are only 117361 MSME units are registered and employment, finance and other activities of only these units are recorded with the government. There is an urgent need to have a policy to record all units in the state to understand the actual position of employment as on date and employment generation opportunities exist in this sector in future. This will enable policy makers to decide the course of action, such as creation of cluster, providing suitable infrastructure, market, product development, finance etc.

Cluster approach the real success seen already must be followed to the extent possible, so as to make easy availability of credit, infrastructure, raw materials, markets and labour. This ultimately results into better quality at competitive price which is the need of the hour. Another advantage of cluster is to faster adapt to changes, because of easy access to information on changes in technology and market demand. There should be a procedure of regular monitoring of Clusters and units located within it.

There is a need for industry ready manpower; as such there is an urgent need for up gradation of existing MSME institute to a national level institution with branches in Rourkela, Berhampur and Sambalpur. The institute should have R & D facilities specific to MSME sector. There should be a very close co-relation among the industry, technology provider, bankers, industry associations, government agencies, local/international agencies like UNIDO who are always working for the betterment of people.

In MSME, handloom sector play a dominant role. The data indicated that weavers in general like to have alternate investment in income generating activities within the local area. The weavers produce variety of

fabrics such as sarees, dress materials, dhoti, pasapalli, sonepuri pata and bichitrapuri. The cluster development program enabled the weavers to develop a better community life. It helped them to unite under a single forum i.e; WCS. Handloom sector for its inadequate skill, limited market exposure, lack of capital and initiative remain less market friendly. Its master crafts men became too traditional, self centered and less development friendly. They were often reluctant in sharing their skill with other and hesitate to interact with successful business man. As most of the weavers belong to other back ward class (OBC), there were limitations in getting the required assistant from government administration which is dominated by higher caste.

Handicrafts have a high potential in our market. It can meet the global demand of eco-friendly products provided the craftsmen attain the product efficiency. The development of handicraft cluster is strengthening the rural-urban economic dependence and minimizes forceful migration of rural poor. The existing traditional system practiced over a long period of time weakened handloom and handicraft production system limiting all possibilities of product improvement and improved standard of living. Along with the changes taking place in the economy new awareness came in even to the village through electronic media and social re-engineering forum like, SHG and Co-operatives. The initiative taken under RLTA, WODC and UNIDO triggered the much desired change process. The impact assessment as revealed from the field bring out visible changes happening specially in craftsmen clusters with a new vigor, working in group, addressing changes to optimize income and employment, upgrading the quality of product based on market demand with added skill.

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