

# Institutional Role in Promoting MSMEs in Tamil Nadu

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## Abstract

*Micro, Small, and Medium-Sized Enterprises (MSMEs) are essential for creating jobs, stimulating economic growth, and advancing equitable development, especially in rural and semi-urban areas. MSMEs are an important part of the local economy in Tamil Nadu, making a substantial contribution to both industrial output and employment possibilities. The purpose of this study is to investigate the type, scope, and effectiveness of institutional support offered to MSMEs. The District Industries Centre (DIC), banks, the Small Industries Development Bank of India (SIDBI), the National Small Industries Corporation (NSIC), and other promotional agencies are among the government and non-governmental organizations that are highlighted for their role in supporting the expansion and sustainability of MSMEs. The study outlines the many forms of support provided, including funding, technical advice, training courses, and market connections, and assesses how these affect the productivity and contentment of MSME owners.*

*Keywords: DIC, MSME, TANSIDCO, SIDBI*

## Introduction

The foundation of the Indian economy, micro, small, and medium-sized enterprises (MSMEs) play a major role in employment, innovation, and the nation's overall industrial growth. MSMEs are essential to the socioeconomic growth of both urban and rural areas in Tamil Nadu, a state known for its industrial and entrepreneurial activity. With thousands of companies operating in industries including manufacturing, textiles, engineering, food processing, and services, Tamil Nadu is one of the states with the highest number of MSMEs as of recent years.

MSMEs frequently encounter a number of obstacles, such as restricted access to capital, technology, skilled labor, and markets, despite their crucial role in economic growth. Numerous institutional frameworks have been put in place, both at the state and federal levels, to address these issues and create an atmosphere that is favourable to the expansion and sustainability of MSMEs. These organizations are essential in helping these businesses by offering them funding, technical support, training, lobbying for policies, and connections to markets.

Establishing a robust MSME ecosystem requires the involvement of organizations, including state-backed development corporations, industry groups, banking institutions, and government agencies. Tamil Nadu has had significant growth in industries like electronics, engineering, leather, and textiles thanks to policies and initiatives catered to the needs of MSME's. This has helped to diversify the economy and create jobs.

This paper will look at Tamil Nadu's institutional framework for MSMEs, the several policies and programs that are in place to help them, and how these interventions have improved the competitiveness and sustainability of MSMEs in the state.

## Review of Literature

**Lakshmi R Kulshrestha, (2018) “Micro Finance: The New Development Paradigm for Poor Rural Women”** observed that Lack of capital is a major barrier to rural women's advancement. Women are frequently prevented from obtaining credit due to obstacles such as laws, loan rules, and procedures. According to studies, credit can encourage women to engage in farm-related activities, and the money they earn from this type of credit is likely to be used to improve household well-being. Microfinance's new and creative strategy placed a strong emphasis on financial intermediation and institutions' ability to maintain themselves.

**Balakrishnan, G (2018) “Financing Small-Scale Industries in India 1950 – 52”** analysed the experience of joint stock corporations in funding the small-scale manufacturing sector and discovered that their high interest rates and high production costs resulted in a low carrying capacity.

## Objectives

1. To analyze the institutional framework supporting MSMEs.
2. To evaluate the types of support provided to MSMEs.
3. To examine the Challenges Faced by MSMEs in Accessing Institutional Support.

## **Institutional Framework Supporting MSMES**

Several significant institutions support MSMEs.

1. **District Industries Centre (DIC):** plays a crucial part in providing direction, organizing government programs, and easing permits and subsidies.
2. **Small Industries Development Bank of India (SIDBI):** lends money through soft loans, refinances, and credit programs.
3. **National Small Industries Corporation (NSIC):** provides aid with raw materials, marketing, and technological advancements.
4. **Tamil Nadu Small Industries Development Corporation (TANSIDCO):** offers infrastructure support, sheds, and industrial plots.
5. **Commercial Banks and Cooperative Banks:** Provide operating capital and credit through programs such as Prime Minister's Employment Generation Programme (PMEGP) and the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

## **Types of Services Provided**

1. **Financial Support:** Credit is easily accessible, as are subsidies, collateral-free loans (such as MUDRA) and priority sector lending.
2. **Technology Support:** Support for Research & Development, digital adoption, modernization, and technology upgrade programs.
3. **Skill Development Support:** initiatives for capacity-building, entrepreneurial development, and training programs for employees and business owners.
4. **Marketing Support:** Export promotion, trade shows, exhibits, the government E - marketplace (GeM), and help developing a brand.
5. **Policy & Infrastructure Support:** The MSME Development Act provides for subsidies on land, cluster development, incubation facilities, and supportive policies.

## **Challenges Faced by MSMES in Accessing Institutional Support**

1. **Limited Access to Credit:** Many MSMEs suffer with collateral restrictions, exorbitant interest rates, and time-consuming loan approval processes.
2. **Low Awareness of Schemes:** Entrepreneurs frequently lack knowledge about government policies, subsidies, and institutional resources accessible to them.

3. **Complex Compliance Procedures:** Regulatory formalities, documentation, and bureaucratic impediments make it difficult for MSMEs to obtain assistance.
4. **Technological Gaps:** Many MSMEs are unable to implement new technologies due to prohibitively high expenses and a lack of technical support.
5. **Inadequate Infrastructure & Market Linkages:** Even with institutional assistance, their expansion is hampered by poor infrastructure, weak supply chains, and limited access to larger markets.
6. **High Cost of Compliance:** Tax regulations, GST reporting, and audit procedures are constantly changing, adding to operational costs.
7. **Limited Networking & Export Knowledge:** Many MSMEs lack knowledge of global standards, certifications, and export procedures.

## Conclusion

Institutions play an important role in boosting the MSME sector in Tamil Nadu by providing financial aid, technological support, skill development, and market connections. Institutions assist MSMEs in overcoming problems such as limited financial availability, lack of awareness, and infrastructural deficiencies through a variety of schemes, training programs, and policies. Institutional assistance boosts competitiveness by bridging the gap between entrepreneurs and resources, while also contributing to job creation, regional development, and long-term economic progress. As a result, robust institutional involvement is required to ensure that MSMEs in Tamil Nadu continue to thrive as drivers of innovation, inclusion, and industrial advancement.

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