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With the financial access now bridged, MSMEs in the textile sector need to focus on integrating technology into their processes which will help ensure that the highest global standards are met, says **Raju Dodi**

India's tryst with weaving and spinning of fibres goes back centuries extending back to the Indus Valley Civilisation. The modern textile industry can be dated back to its origins in Mumbai (then Bombay) and Ahmedabad in the 1800s. The abundant availability of raw materials cotton, wool, jute, and silk provides the country with a unique advantage which has been deftly worked upon to establish our country as the world's 2nd largest producer of textiles and garments.

The Indian textiles industry is highly diversified with a wide range of segments like traditional handloom, handicrafts, wool, and silk products. With a 4 per cent share in global trade for textiles and apparel, India is the sixth largest exporter of textiles, generating huge employment for both skilled as well as unskilled labour. The most recent estimates put the sector as the 2nd largest employer in the country providing direct employment to 45 million people and another 60 million people in allied industries.

The organised textile industry in India, of which a large part is contributed by the Micro, Small and Medium Enterprise (MSMEs), is characterised by the usage of capital-intensive equipment for the mass production of textile products. The textile industry is one of the oldest industries and currently contributes 2.3 per cent to GDP, however, the industry has seen a slithering pace of growth in the recent past. With the country moving firmly ahead on its path to achieving \$ 5 trillion GDP, the textile industry will have to play a key role in reaching this milestone. This would require further investments into machinery and working capital.

Even outside textiles, the MSME segment continues to be one of the most important growth engines for the Indian economy. As per the Udyam Registration Portal, India is home to over 1.47 crore registered MSMEs, of which nearly 28 Lakh MSMEs are women-owned. Further, the MSME segment accounts for over 12 crore jobs, contributing over 30 per cent to India's GDP and more than 40 per cent to exports.

The governments, both central and state, have been working tirelessly towards enhancing the growth scope for the textile industry in the country. With the introduction of the Make in

India initiative the industry has witnessed increased production capacity by 25 per cent so far. In September 2021, the government also approved a Rs 10,683 crore PLI scheme for the sector. With the above combined with 100 per cent FDI allowed now under automatic route in the textile sector, the industry is expected to find a new lease of life.

Even with these growth fundamentals and policy support in place, the MSME segment in the textile industry needs to surpass three major hurdles before enjoying its rightful moment under the sun. The first is around insufficient access to formal credit whereas the second and third lie around poor / non-integration of technology and production processes leading to the industry not being able to meet the highest global standards. In addition to the government, the onus lies upon financiers – banks and non-banks as well as the MSMEs themselves to bridge the credit gap in the sector.

From a financing perspective, a large deterrent towards the availability of formal credit opportunities lies around the lack of a formal credit profile of MSMEs which is hindered due to their inability to provide collateral to avail financing opportunities. This challenge further leads to MSMEs having to avail funds at higher interest rates which puts financial strain on their business and further impacts their ability to service requirements like raw material, labour, and overhead costs. Government schemes like the Emergency Credit Line Guarantee Scheme (ECLGS) and Pradhan Mantri Mudra Yojana have helped in the clear extension of formal credit to the MSME segment. Further, Stand-Up India which was launched by the Government of India in 2016 has also helped support entrepreneurship among women and Scheduled Caste (SC) / Scheduled Tribe (ST) communities by providing loans between Rs 10 lakhs and Rs 1 crore for setting up a greenfield enterprise in manufacturing, trading, and services sector. Apart from Government initiatives, non-bank finance companies (NBFCs) have also been leading from the forefront in providing opportunities for MSMEs to borrow without collateral and that too at lower rates, thereby bringing finance to the doorstep of the borrowers.

For Non-Banking Financial Companies (NBFCs), MSMEs not only form an integral part of their business but also act as a mode by which they could contribute towards the overall economic growth and financial inclusion of the country. Today, NBFCs are equipped to offer loans to MSMEs without collateral, and these loans are determined basis the potential of the business. NBFCs are also able to disburse loans much faster compared to traditional banks and even the repayment options available are easy and flexible. NBFCs have also been able to leverage data analytics for better risk management and create new innovative products and offerings to cater to the evolving needs of MSMEs in India. Carrying on the legacy of its parent Larsen and Toubro – a company which is referred to as 'Builder to the nation', L&T Finance has been offering financial solutions to MSMEs for over a year now. Operating out of over 50 locations across the country, the company has virtually brought finance to the doorsteps of the borrowers. The financing options up to Rs 50 lakhs are offered to customers without collateral, allowing them to operate with ease of mind.

The customised offerings with low interest rates and relaxed eligibility allow the MSMEs to acquire necessary funding through a hassle-free, end-to-end paperless process, resulting in customers spending more time and effort on growing the business than seeking financing options. Financing opportunities from L&T Finance are available across major textile hubs all over the country including states of Gujarat, Maharashtra, Tamil Nadu, Karnataka, Punjab, Bihar and West Bengal.

For offering these financing options, any financing company – Banks or non-banks need basic documents to understand the business profitability and cash flows. While larger institutions can easily provide these documents to financiers, MSMEs in the textile industry

will benefit largely from having customised offerings from an institution which understands their business well. Thus, when MSMEs wish to avail financing options, they must ensure that they choose a financing partner that specialises in serving MSMEs from the textile sector, properly assessing the financial needs of the business. Addressing the need for borrowers to manage cashflows, customised offerings from L&T Finance allow borrowers to repay and withdraw within given limits at will, with interest being charged only on the amount utilised, thus reducing the interest burden on borrowers.

With the financial access now bridged, MSMEs in the textile sector need to focus on integrating technology into their processes which will help ensure that the highest global standards are met. It is only then that the textile industry in our country will be able to contribute exceptionally well towards taking the country towards its goal – a developed nation by 2047.



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