NON-BANKING FINANCIAL HOW TO PROMOTING THE SMALL AND MEDIUM INDUSTRIES

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Abstract

Small and medium-sized businesses (SMEs) are essential to innovation, economic growth, and job creation, but because of strict rules and collateral requirements, they frequently encounter obstacles when trying to obtain traditional banking services. Through the provision of specialised financial products including microfinance, factoring, leasing, and venture capital, Non-Banking Financial Institutions (NBFIs) have emerged as key players in the support of SMEs. This abstract examines the ways in which NBFIs might collaborate strategically with trade groups and governmental entities to support SMEs in an efficient manner. It also highlights the significance of supportive legislative frameworks and talks about how technology may improve NBFI services for SMEs. In the end, NBFIs are critical to the growth and resilience of SMEs, supporting inclusive and dynamic economies.

Keywords:NBFIS Sector, NBFCS, DFIS, Mutual Funds, Venture Capital, Investment Bank,Non-Banking, Financial Promoting, Small Medium Industries

1. INTRODUCTION

Small and Medium Enterprises (SMEs) are the main drivers of innovation, growth, and job creation in modern economies. But in spite of their major contributions, SMEs usually have trouble obtaining traditional banking services. Tight rules, collateral specifications, and drawn-out approval procedures can make it difficult for them to obtain finance through conventional channels. As a result, Non-Banking Financial Institutions (NBFIs) have become essential players in closing this funding gap and supporting the expansion of SMEs. This introduction provides context for examining the various ways that non-bank financial institutions (NBFIs) support small and medium-sized enterprises (SMEs), including the partnerships, methods, and strategies that support SMEs' growth.

This study aims to shed light on the transformative potential of non-banking financial mechanisms in empowering small and medium-sized enterprises and promoting equitable economic growth by analysing the various financial products, technical advancements, and regulatory frameworks that govern NBFI operations. This study seeks to add to the continuing conversation on building robust and dynamic SME ecosystems by offering insights into the dynamic landscape of NBFI-SME interactions through a thorough investigation.

2. LITERATURE REVIEW

Bhadauria et.al (2023). study delves into the crucial role Non-Banking Financial Institutions (NBFIs) play in fostering the sustainable development of Small and Medium Enterprises (SMEs). The author highlights the importance of NBFIs in providing financial services tailored to the unique needs of SMEs, which often face challenges in accessing traditional banking channels.

Khowaja et.al (2021). Khowaja et al. examine the role of Non-Banking Financial Institutions (NBFIs) in the context of Pakistan's economic growth. Through an empirical investigation, the authors assess the impact of NBFIs on various economic indicators, including GDP growth, investment, and employment.

Nazneen et.al (2018). Nazneen and Dhawan's review focuses on the role and challenges faced by Non-Banking Financial Companies (NBFCs) in the economic development of India. The authors analyze the regulatory framework, market dynamics, and operational challenges confronting NBFCs in India's evolving financial landscape.

3. ROLE OF MICRO, SMALL AND MEDIUM ENTERPRISES

Globally, the micro, small, and medium-sized firm (MSME) sector has been acknowledged as a growth driver. Low investment requirements, operational flexibility, location-based mobility, and import substitution are the sector's defining characteristics. In India, the first all-inclusive piece of legislation that addresses all three groups is the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. As to the Act, these businesses are divided into two categories: (i) Manufacturing companies that produce or manufacture goods for any industry included in the Industries (Development and Regulation) Act of 1951's first schedule. These are described as investments in plant and machinery; (ii) service businesses that offer or render services are described as investments in equipment.

4. IMPORTANCE OF THE MSME SECTOR

The micro, small, and medium-sized enterprise (MSME) sector makes a substantial contribution to the nation's manufacturing output, employment, and exports. Based on approximations, the industry contributes around 45% of India's manufacturing output and 40% of its total export earnings in terms of value. Approximately 42 million people are employed by the MSME industry across more than 13 million units nationwide. Indian MSMEs are producing over 6000 products, spanning from conventional to advanced technological items.

5. TYPE OF ENTERPRISE

Business entities are often divided into two groups: (1) Manufacturing; and (2) Service Providers. Based on their investments in equipment (in the case of businesses providing or offering services) or plant and machinery for manufacturing, both types of firms have been further divided into Micro, Small, Medium, and large enterprises.

6. CONCLUSION

In conclusion, by assisting Small and Medium-Sized Businesses (SMEs), Non-Banking Financial Institutions (NBFIs) significantly contribute to inclusive economic growth. By providing specialised financial products like microfinance, factoring, leasing, and venture capital, NBFIs help SMEs close the funding gap. NBFIs, governmental organisations, and trade groups can form strategic alliances that improve SMEs' access to capital and business prospects. By incorporating innovation and technology into NBFI operations, efficiency and transparency are increased, enabling SMEs to successfully overcome obstacles. Encouraging regulatory regimes provide stability and openness, which gives investors and business owners confidence. NBFIs act as stimulants for economic growth, employment generation, and entrepreneurship, supporting the expansion and resilience of SMEs. In the future, NBFIs will benefit SMEs most when innovation and cooperation are embraced, as this will help create more inclusive and resilient economies.

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