

The Role of Financial Institutions in Providing Financial Assistance to MSMEs in Telangana.

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Abstract:

Micro-enterprises make up the vast majority of India's MSME sector, yet securing formal credit remains their toughest hurdle. This study examines how key financial channels—commercial banks, SIDBI, Regional Rural Banks (RRBs), Microfinance Institutions (MFIs), and credit guarantees under CGTMSE—support micro-units across Telangana.

The analysis focuses on enterprises operating with ₹1 to ₹2.5 crore in equipment investment and ₹5 to ₹10 crore in annual turnover. This band is especially critical following the central government's April 2025 reclassification, which raised micro-enterprise thresholds to these exact limits, allowing growing firms to expand without losing policy benefits.

Drawing on secondary data from the RBI, SIDBI, NABARD, CGTMSE, and state government records, the study tracks credit delivery across three distinct economic zones: peri-urban Rangareddy, industrial Warangal, and agro-centric Khammam.

The findings show that while commercial banks remain the principal lenders, expanded CGTMSE guarantees and Telangana's extensive Self-Help Group (SHG) network have materially eased credit access. However, noticeable bottlenecks persist—especially in rural Warangal and Khammam—where cumbersome documentation, low scheme awareness, and the absence of granular, district-level data continue to hold small businesses back.

Keywords: *Micro-Enterprises, MSME Finance, Telangana MSME Policy, CGTMSE, Microfinance Institutions (MFIs)*

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I. Introduction:

1.1 Background

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of the Indian economy. With over 8 crore registered units generating approximately 39 crore jobs, the sector accounts for 36% of manufacturing output and 43% of total national exports.

To support business expansion without the risk of losing policy advantages, the central government revised its MSME classification thresholds effective April 2025. Under this updated framework, micro-enterprise limits increased to ₹2.5 crore in plant and machinery investment (up from ₹1 crore) and ₹10 crore in annual turnover (up from ₹5 crore). This revision ensures that growing businesses can invest in plant upgrades, expand physical facilities, and hire personnel without prematurely outgrowing essential micro-enterprise benefits.

Securing adequate and timely credit remains the most pressing constraint for these enterprises. While RBI estimates historically highlighted a national MSME credit deficit of ₹20 to ₹25 lakh crore, formal bank lending expanded steadily from ₹16.96 lakh crore in FY 2022–23 to ₹38.40 lakh crore in FY 2025–26. Despite this overall growth, non-metro and semi-rural enterprises continue to rely on a layered financing network comprising commercial banks, Regional Rural Banks (RRBs), SIDBI, Microfinance Institutions (MFIs), and CGTMSE credit guarantees.

Telangana has consistently emphasized MSME growth since its formation in 2014, most recently through the Telangana MSME Policy, 2024. Although more than 8.6 lakh enterprises have registered via the Udyam portal since 2020, state records indicate that roughly two-thirds of MSMEs in Telangana still operate outside the formal registration framework.

1.2 Statement of the Problem

Despite aggregate credit growth to MSMEs at the national level, significant uncertainty remains regarding how effectively this capital reaches micro-enterprises within the ₹1–2.5 crore investment bracket, particularly beyond the Hyderabad metropolitan region. Most existing empirical studies maintain a broad national focus or concentrate solely on tier-I urban centers. This study addresses that empirical gap by conducting a localized assessment across three economically distinct districts of Telangana: peri-urban Rangareddy, industrial Warangal, and agro-centric Khammam.

1.3 Need and Significance of the Study

This study carries significant empirical and practical relevance as it evaluates the immediate intersection between the central government's revised MSME classification (2025) and the newly rolled-out Telangana MSME Policy (2024)—a combined policy impact that remains largely unexamined in current literature. By holistically assessing the collaborative roles of commercial banks, SIDBI, RRBs, MFIs, and CGTMSE rather than examining them in isolation, the research offers a comparative analysis across three diverse regional economies: peri-urban Rangareddy, manufacturing-focused Warangal, and agro-centric Khammam. Ultimately, these findings deliver actionable insights for State Level Bankers' Committees, District Industries Centres, and regional policymakers to refine targeted credit interventions and eliminate bottlenecks for micro-enterprises within this newly defined investment band.

II. Review of Literature:

Extensive empirical research underscores a persistent structural paradox: despite a growing architecture of institutional interventions including credit guarantees, development refinancing, and subsidized loan schemes micro and small enterprises continue to face severe credit rationing constraints.

Microfinance has emerged as a vital intermediary mechanism to bridge these last mile delivery gaps, particularly across rural and semi-urban geographies where traditional commercial branch networks prove cost-prohibitive to deploy.

Investigating the socioeconomic impact of microfinance on enterprise growth, Kumar, Murthy, and Ratna (2024) highlighted that Microfinance Institutions (MFIs), through collateral-free micro-lending combined with savings and insurance facilities, have significantly narrowed gender disparities in business ownership while channeling essential liquidity into under banked small businesses. However, the sector remains constrained by operational headwinds, such as thin formal credit histories, high borrower acquisition costs, and debt servicing vulnerabilities. Further, evaluating policy-driven interventions, Prabhakar and Jahangir (2017) observed that formal credit programs often fail to translate directly into sustainable, performance-oriented enterprise development across Telangana if institutional credit is not supported by managerial capability and ecosystem integration.

At the institutional level, Varalakshmi (2025) evaluated central flagship interventions including the Pradhan Mantri MUDRA Yojana (PMMY), the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), and the Prime Minister's Employment Generation Programme (PMEGP) against key criteria of outreach, financial sustainability, and economic additionality. The study concluded that institutional risk-mitigation instruments have generated demonstrable financial additionality by enabling commercial banks to extend credit to higher-risk micro-borrowers without mandatory collateral.

Complementing these findings, NABARD's microfinance status reports demonstrate the transformative scale of the Self-Help Group (SHG)–Bank Linkage Programme, which mapped over 92 lakh women SHGs and 10.05 crore rural households under the DAY-NRLM digital ecosystem, supporting ₹13.41 lakh crore in outstanding credit. Notably, the southern region specifically Telangana, Andhra Pradesh, and Karnataka consistently leads the nation in both SHG credit-linkage density and average loan quantum per group. This institutional legacy provides Telangana with a unique structural foundation to leverage community-level microfinance as a progressive feeder channel into formal banking credit for growing micro-enterprises.

III. Research Gap:

Research Gap

While existing literature broadly conceptualizes the isolated contributions of MFIs, CGTMSE, SIDBI, RRBs, and commercial banks at an aggregate national scale, significant empirical voids remain. First, very few studies examine these institutional lenders as an interconnected, multi-tiered ecosystem operating within a single analytical framework. Second, there is a distinct lack of empirical inquiry focused specifically on the newly expanded micro-enterprise bracket (₹1–2.5 crore investment and ₹5–10 crore turnover), particularly under the dual lens of the central government's 2025 MSME reclassification and the Telangana MSME Policy (2024). Finally, sub-state regional disparities within Telangana remain largely unaddressed. This study addresses these

gaps through an empirical, secondary data driven investigation comparing credit delivery dynamics across three distinct economic archetypes: peri-urban Rangareddy, Industrial Warangal, and Agro-centric Khammam.

3.1 Research Methodology:

3.2 Objectives

- To assess the institutional credit ecosystem and relative contributions of commercial banks, SIDBI, Regional Rural Banks, Microfinance Institutions, and CGTMSE in financing micro-enterprises in Telangana.
- To analyze recent credit flow trends, refinance volumes, and guarantee schemes supporting the expanded micro-enterprise band (₹1–2.5 crore investment; ₹5–10 crore turnover).
- To evaluate regional disparities in institutional credit access across peri-urban (Rangareddy), manufacturing (Warangal), and agro-industrial (Khammam) districts.
- To identify structural delivery bottlenecks and propose policy recommendations to bridge financing and transparency gaps for growing micro-enterprises.

3.3 Research Design:

This study adopts a descriptive research approach to examine and interpret established trends in institutional financing rather than testing statistical hypotheses through field surveys. The investigation is grounded entirely in secondary data sourced from official reports and regulatory publications. The retrieved data have been compiled, structured, and evaluated using descriptive statistical measures such as percentage distributions, annual growth rates, and comparative averages and presented through structured tables and figures to track credit delivery across the target enterprise band.

3.4 Research Sample (Area and District Selection):

This study employs a purposive (judgmental) sampling method to evaluate institutional credit flows to enterprises positioned within the newly revised micro-enterprise threshold specifically those with plant and machinery investments between ₹1 crore and ₹2.5 crore and annual turnovers ranging from ₹5 crore to ₹10 crore.

To capture the geographic and structural economic diversity across Telangana, three distinct districts were selected for in-depth comparative analysis:

- **Rangareddy:** A heavily industrialized peri-urban hub bordering Hyderabad, characterized by major manufacturing clusters and high formal enterprise density.
- **Warangal:** A tier-II urban and industrial center anchored by textile and leather processing, featuring an internal contrast between its commercial core and less-developed rural periphery.
- **Khammam:** A resource-based, agro-industrial district designated by NABARD as a priority area for targeted financial inclusion.

3.5 Period of the study:

The analytical scope of this study primarily spans the four-year financial timeline from FY 2022–23 through FY 2025–26. This timeframe captures the rollout and initial impact of two major policy milestones: the Telangana MSME Policy introduced in September 2024 and the central government's revised MSME classification framework effective from April 2025. Historical longitudinal data, such as cumulative CGTMSE guarantee performance dating back to 2000 have also been incorporated where necessary to contextualize long-term structural trends.

3.6 Limitations

- The study relies entirely on published records from banks and government bodies, with no direct field interviews conducted with entrepreneurs or lenders.
- Official sources do not provide exact district-level beneficiary numbers specifically for the ₹1–2.5 crore investment range, requiring the use of broader sectoral data.
- Focusing on three selected districts (Rangareddy, Warangal, and Khammam) provides deep comparative insights, but does not capture every local variation across all 33 districts in the state.
- Because the official MSME definitions changed in April 2025, comparing pre-2025 and post-2025 data involves minor baseline differences.

IV. Theoretical Framework:

4.1 Concept and Definition of MSME:

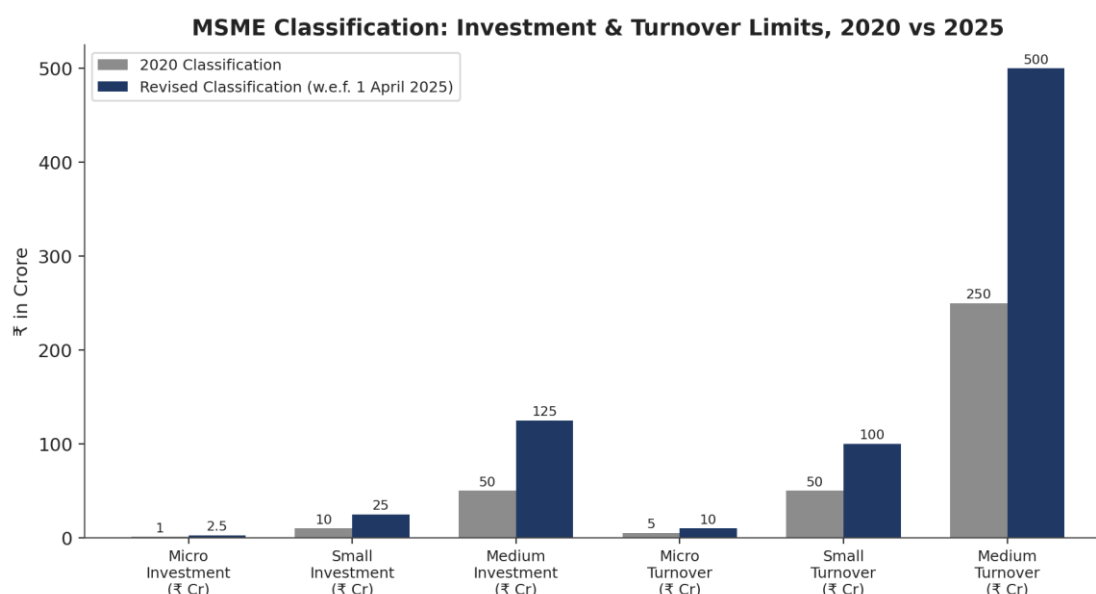
Micro, Small, and Medium Enterprises in India are governed by the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Under this statutory framework, classification is determined using a

composite criterion comprising dual thresholds: net investment in plant and machinery (or equipment) and annual turnover. To qualify for and maintain a specific category status, an enterprise must fulfill both parameters simultaneously; if an enterprise crosses the prescribed limit on either the investment or turnover ceiling, it is automatically reclassified into the next higher bracket.

4.2 The Revised MSME Classification, 2025

During the Union Budget presentation on February 1, 2025, the central government raised the statutory qualifying benchmarks for MSMEs, increasing plant and machinery investment limits by 2.5 times and doubling annual turnover thresholds. This strategic adjustment was introduced to allow expanding enterprises to scale operations, invest in modern machinery, and secure formal bank credit without losing the regulatory advantages and protections tied to their operational tier.

The Ministry of Micro, Small and Medium Enterprises formally enacted these revised norms through Gazette Notification S.O. 1364(E) on March 21, 2025, coming into full legal effect on April 1, 2025, and replacing the previous criteria established in June 2020.



Category	Investment (2020)	Investment (2025)	Turnover (2020)	Turnover (2025)
Micro	Up to ₹1 cr	Up to ₹2.5 cr	Up to ₹5 cr	Up to ₹10 cr
Small	Up to ₹10 cr	Up to ₹25 cr	Up to ₹50 cr	Up to ₹100 cr
Medium	Up to ₹50 cr	Up to ₹125 cr	Up to ₹250 cr	Up to ₹500 cr

In accordance with paragraph 8(6) of the 2020 notification as modified by the 2025 amendment, the Ministry outlined a transitional "reverse-graduation" provision. Under this clause, any enterprise qualifying for a revised tier remains in its existing category until the conclusion of the active financial year, officially adopting the benefits of its newly assigned bracket on the following 1 April.

This provision is crucial for enterprises within this study's focus area (₹1–2.5 crore investment and ₹5–10 crore turnover) that are transitioning downward from the "Small" classification into the newly expanded "Micro" tier, ensuring seamless policy coverage and continuous operational support during the transition.

Micro-enterprises form the backbone of India's economy, generating substantial employment, driving manufacturing output, and accounting for nearly half of total MSME bank credit. To fund their operations, these units rely on a multi-layered financial network:

- **Scheduled Commercial Banks:** Serve as the largest formal credit channel, guided by Priority Sector Lending mandates and collateral-free loan limits.
- **SIDBI:** Acts as the apex development bank, extending direct capital schemes while channeling massive refinance support through primary lending institutions.
- **Regional Rural Banks (RRBs):** Deliver grassroots credit across rural and semi-urban belts, with institutions like the unified Telangana Grameena Bank improving outreach across districts.

- Microfinance Institutions (MFIs) & SHG Networks: Provide crucial micro-credit, with Telangana leading nationally in SHG-bank credit linkages that help small entrepreneurs build creditworthiness for larger formal borrowing.
- CGTMSE: Backs these lending channels by providing collateral-free credit guarantees (up to ₹10 crore), significantly easing access to institutional finance.
- Telangana MSME Policy (2024): Enhances this ecosystem through 40 strategic initiatives including capital subsidies, interest reimbursements (*Pavala Vaddi*), power rebates, and targeted infrastructure funds working alongside formal banking channels to foster long-term industrial growth.

V. The role of Micro-finance in developing the MSMEs in select districts of Telangana.

The three selected districts illustrate the diverse industrial landscape and credit environments across Telangana:

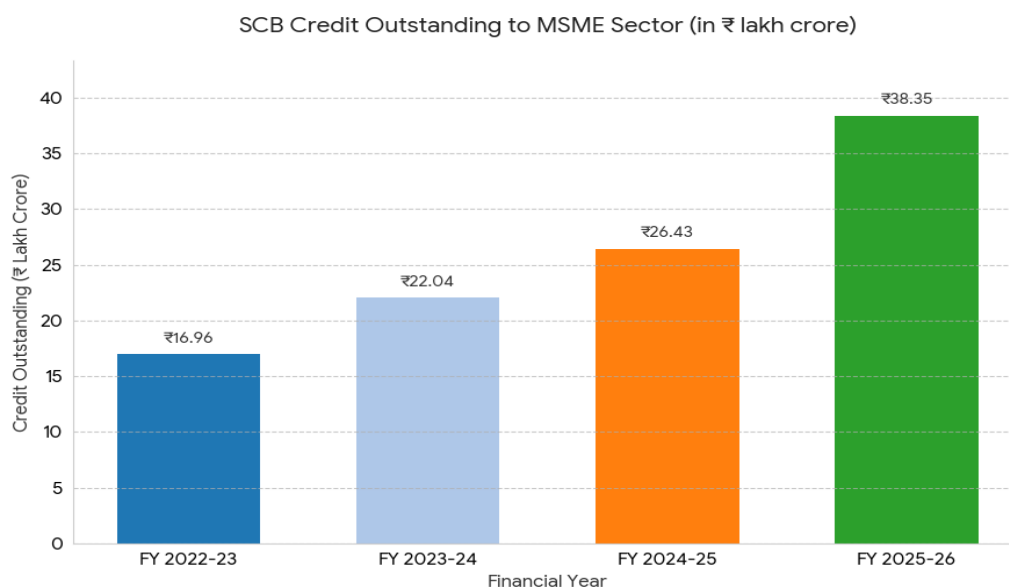
- **Rangareddy (Peri-Urban Industrial Hub):** Adjoining Hyderabad, it is highly industrialized and ranks second in the state for Udyam-registered MSMEs, hosting major manufacturing clusters in pharma, plastics, auto components, aerospace, and electronics.
- **Warangal (Tier-II Manufacturing Center):** Anchored by traditional textile, leather, and agro-processing clusters in its urban core, it presents an internal divide where its rural areas are designated as special focus zones requiring targeted credit outreach.
- **Khammam (Agro-Industrial Economy):** Driven by granite processing, rice milling, cold storage, and forest produce, it serves as a key semi-rural model combining a diversified processing base with high-priority financial inclusion support.

Parameter	Rangareddy	Warangal	Khammam
Dominant MSME activity	Electronics, auto-components, pharma, plastics, defence-aerospace, IT/ITES-linked services	Textiles, leather, agro-processing (rice, dal)	Granite processing, rice milling, cotton ginning, cold storage, food processing
Key cluster(s) (Invest Telangana)	Auto, Electronics (x2), Defence & Aerospace, Hardware, upcoming Plastic Cluster	Textile Cluster (Madikonda); upcoming Leather Cluster	Food Processing Cluster (Buggapadu)
Udyam-registered MSMEs (cumulative)	26,520 (2nd highest in Telangana)	11,000 (stands as one of top tier-2 hubs in Telangana)	7,5000 (serving as the prime industrial gateway for eastern Telangana)
NABARD Special Focussed District status	No	Warangal (Rural) Yes	Yes
Broad character	Peri-urban / high industrialisation	Tier-II urban / manufacturing	Semi-rural / agro-industrial

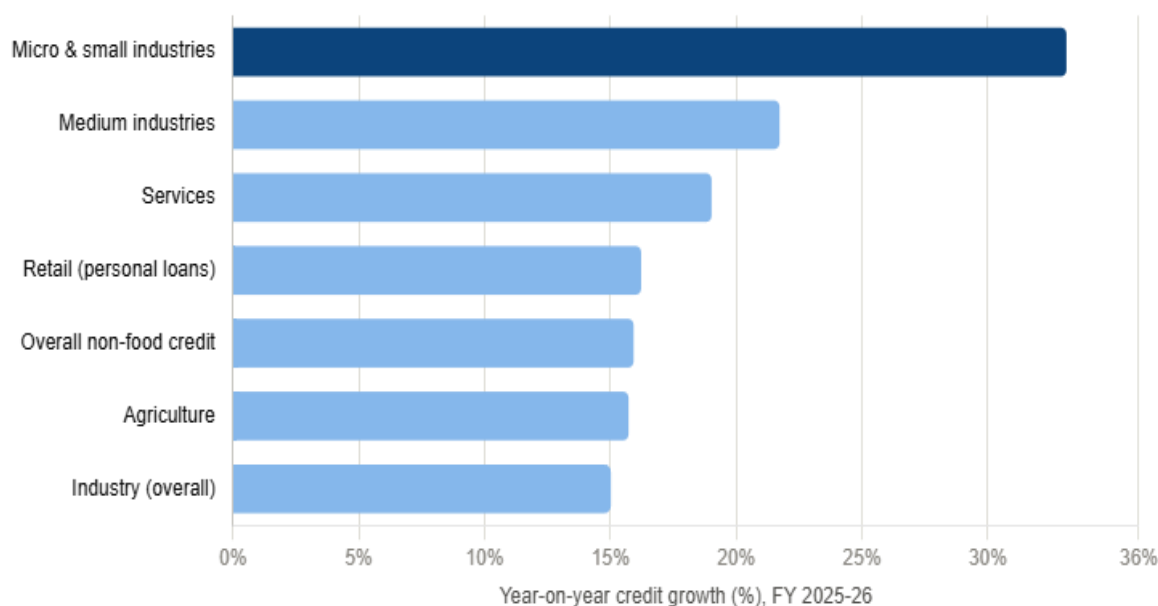
VI. Data Analysis and Interpretation:

6.1 Growth of Scheduled Commercial Bank Credit to the MSME Sector:

Regulatory disclosures presented to Parliament reveal an aggressive multi-year expansion in institutional lending to India's MSME sector. Commercial bank advances rose from ₹16.96 lakh crore in FY 2022–23 to ₹22.04 lakh crore in FY 2023–24, climbing further to ₹26.43 lakh crore by FY 2024–25—marking a robust 55.8% two-year growth trajectory. This upward trajectory strengthened substantially during FY 2025–26, with total credit deployment reaching ₹38.35 lakh crore.



Credit Outstanding to the MSME Sector by Scheduled Commercial Banks in India (₹ Lakh Crore)



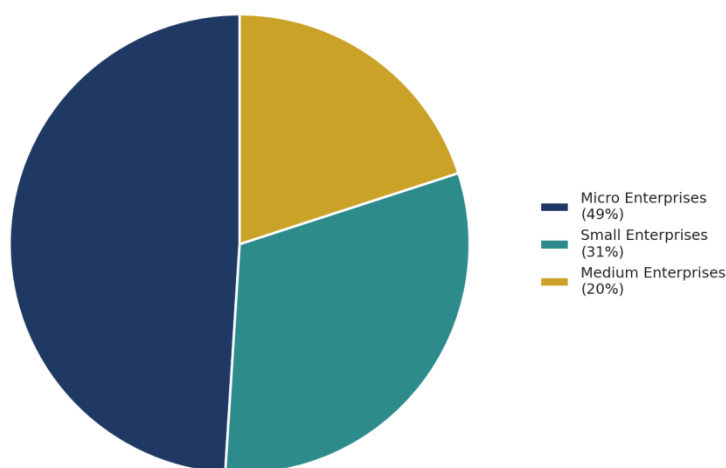
Year-on-Year Credit Growth by Sector, FY 2025-26 — MSME Credit Outpaces All Other Segments

With an annual expansion rate of 33.1%, bank lending to the MSME segment significantly outpaced all other key economic sectors—comfortably eclipsing credit deployment in services (19.0%), retail advances (16.2%), aggregate non-food gross bank credit (15.9%), agriculture (15.7%), and large-scale manufacturing (15.0%).

This pronounced divergence stems directly from proactive regulatory mandates and structural risk mitigation. Targeted Priority Sector Lending sub-allocations, the RBI's structured resolution framework for stressed MSME exposures up to ₹25 crore, and capacity-building drives like the NAMCABS initiative have fundamentally de-risked the sector. Paired with robust institutional backing from credit guarantee schemes, these measures have incentivized commercial lenders to prioritize MSME asset generation despite broader macroeconomic deceleration in general bank credit.

Within the MSME credit book itself, micro-enterprises held the largest individual share of outstanding SCB credit as of March 2025.

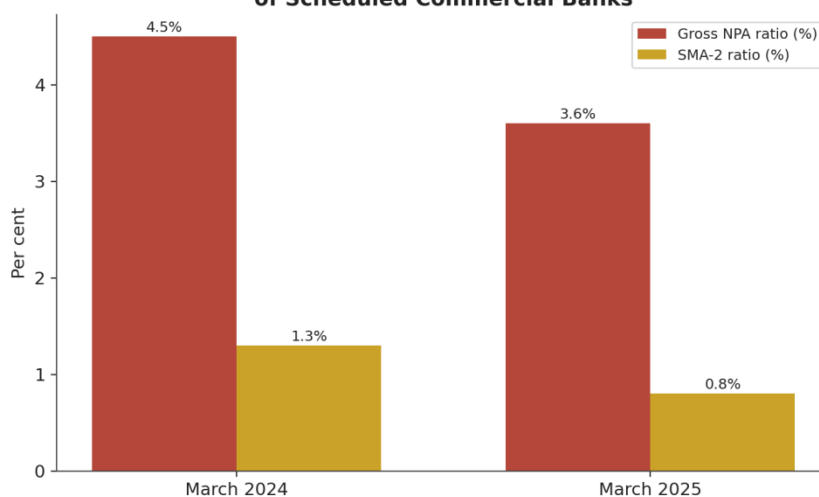
Share of Micro, Small and Medium Enterprises in Total Outstanding SCB Credit to MSME Sector (March 2025)



Portfolio distribution data as of March 2025 demonstrates that micro-enterprises anchored the majority of institutional MSME debt, absorbing nearly half (49%) of the total credit book, while small and medium establishments claimed 31% and 20% respectively.

Although the RBI Financial Stability Report highlighted a temporary deceleration in incremental lending to micro-units during FY 2024–25 relative to higher-tier MSMEs, the category staged a strong comeback in FY 2025–26, rebounding sharply above the 18.3% expansion recorded in the previous fiscal cycle.

Improving Asset Quality of MSME Loan Portfolio of Scheduled Commercial Banks



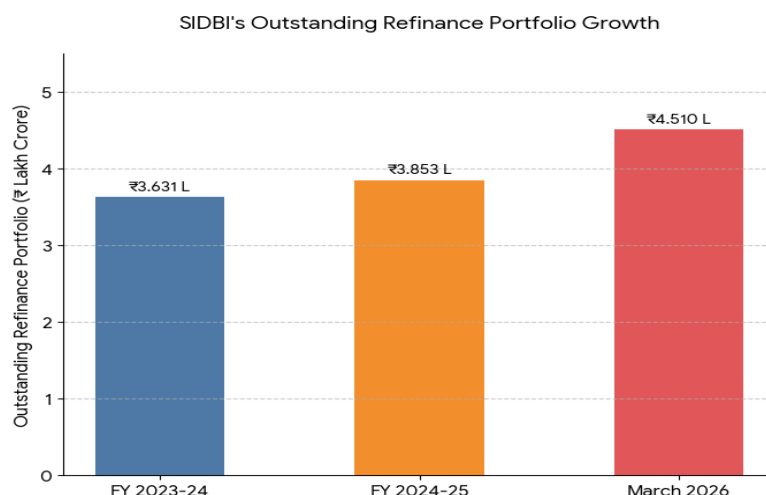
Gross NPA and SMA-2 Ratios of the MSME Portfolio of Scheduled Commercial Banks

Scheduled Commercial Banks witnessed a marked improvement in the underlying health of their MSME lending books during this timeframe. The sector's Gross Non-Performing Asset (GNPA) metric dropped from 4.5% in March 2024 to 3.6% by March 2025. Over the same period, early-stage delinquency indicators showed similar resilience: the SMA-2 ratio—which isolates vulnerable accounts overdue between 61 and 90 days contracted from 1.3% to 0.8%. This dual contraction reflects more effective bank underwriting standards and enhanced debt-servicing discipline among borrowing enterprises.

6.2 SIDBI Reaches Businesses Mainly Through Other Banks

At the district level, SIDBI channels the bulk of its liquidity via indirect refinancing rather than brick-and-mortar storefronts, routing capital through Primary Lending Institutions such as commercial banks, Regional Rural Banks, and Small Finance Banks to fund grassroots micro-enterprises. This intermediary model

serves as the operational lifeline for districts including Rangareddy, Warangal, and Khammam, which lack dedicated SIDBI branch locations and instead depend entirely on administrative and credit disbursement channels run out of the Hyderabad regional office.

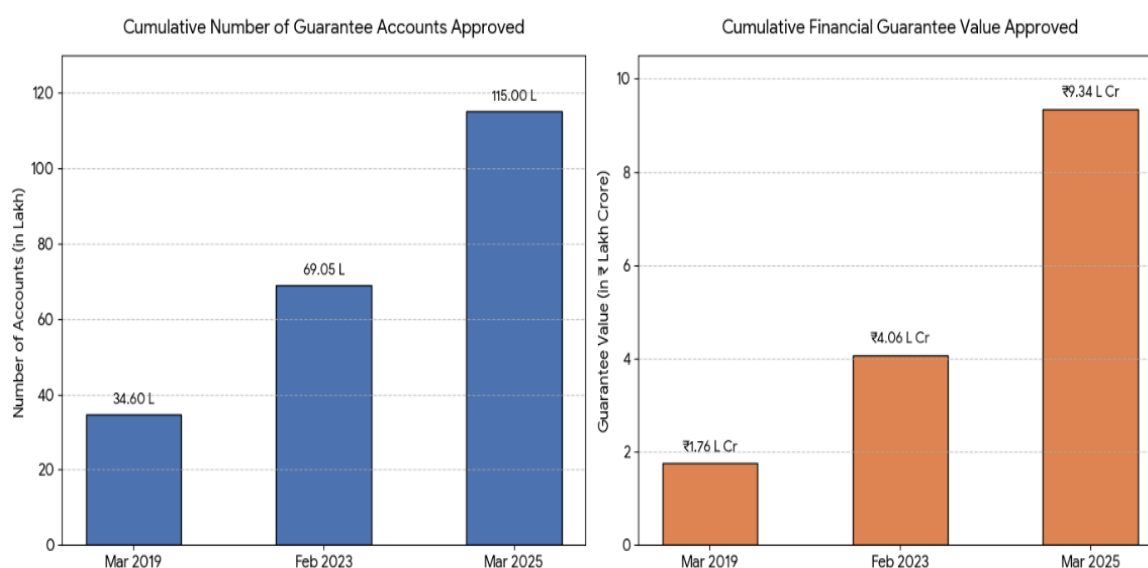


Institutional refinancing through SIDBI witnessed steady expansion, with credit allocations to Primary Lending Institutions climbing from ₹3,63,101 crore in FY 2023–24 to ₹3,85,327 crore in FY 2024–25—a 6.1% growth that extended financial backing to approximately 29.83 lakh small and micro-borrowers across 715 districts nationwide. This upward trajectory intensified significantly by March 2026, delivering a 16.9% year-on-year jump to ₹4.51 lakh crore and broadly multiplying the volume of end-borrowers reached via partner commercial lenders, RRBs, and Small Finance Banks.

Conversely, direct lending products from SIDBI—including specialized initiatives like SPEED, SMILE, and conventional project debt—are practically out of reach for unorganized grassroots operators. These direct facilities cater almost exclusively to mature, well-structured enterprises capable of fulfilling comprehensive technical evaluations and sophisticated credit documentation standards.

6.3 Role of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

CGTMSE Performance Milestones Comparison

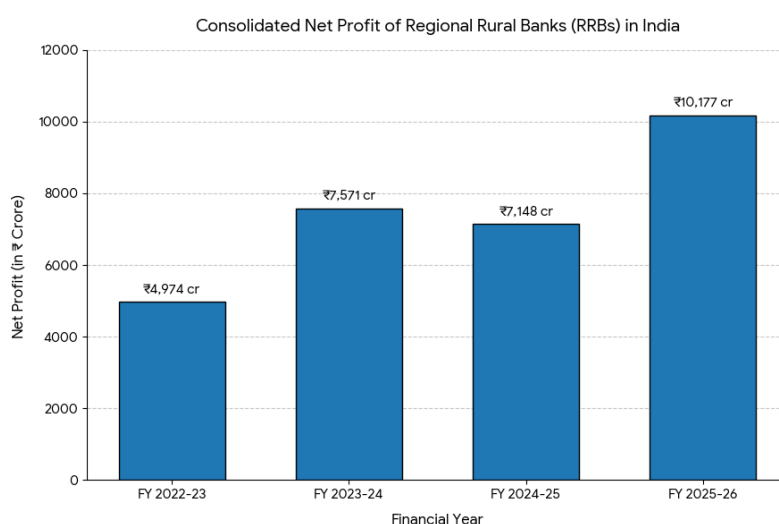


Cumulative Number and Amount of Guarantees Approved under CGTMSE (India), March 2019 vs February 2023 Vs March 2025

Coverage under the Credit Guarantee Fund Trust for Micro and Small Enterprises expanded at an extraordinary pace over the six-year window from March 2019 to March 2025. The aggregate volume of sanctioned guarantee accounts surged from 34.60 lakh to 115 lakh, while the cumulative portfolio value backed by the Trust experienced a fivefold escalation, vaulting from ₹1.76 lakh crore to ₹9.34 lakh crore.

This operational velocity intensified through the eleven-month corridor between 1 January and 30 November 2025, when the Trust underwrote an additional 29.03 lakh credit guarantees representing ₹3.77 lakh crore in financial coverage. Alongside this volume expansion, a structural overhaul of the Annual Guarantee Fee schedule compressed starting entry charges down to 0.37% per annum for facilities up to ₹10 lakh, substantially lowering borrowing friction and making uncollateralized bank advances far more affordable for early-stage micro-units.

6.4 Role of Regional Rural Banks (RRBs) and Telangana Grameena Bank

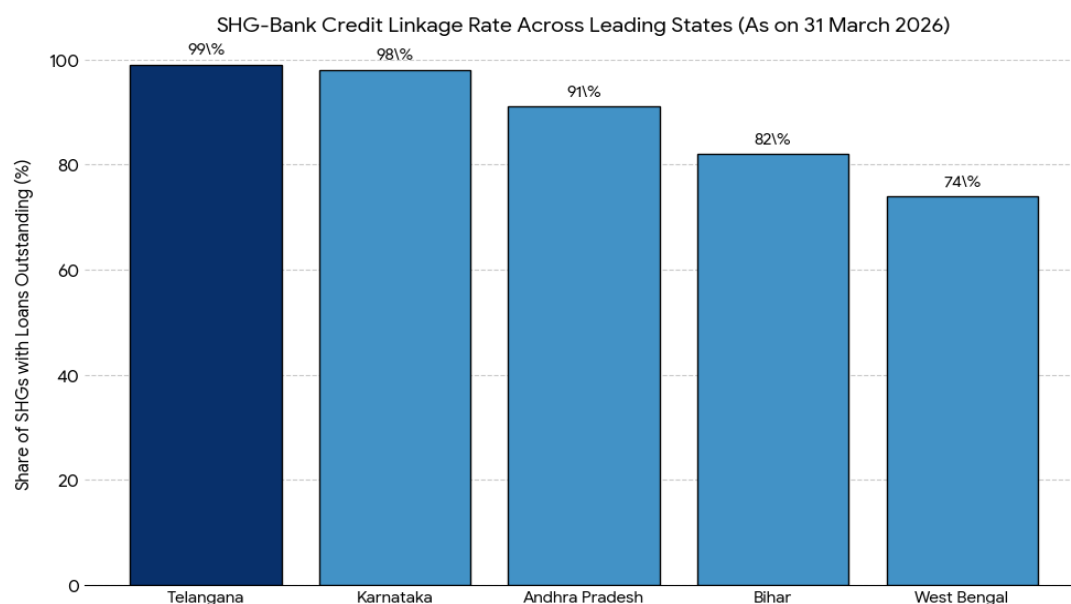


Consolidated Net Profit of Regional Rural Banks in India, FY 2022-23 to FY 2025-26

On the national stage, Regional Rural Banks delivered unprecedented fiscal performance in FY 2025–26, generating a record aggregate net profit of ₹10,177 crore on the back of sharp reductions in impaired loans (a 5.3% NPA ratio) and enhanced operational productivity.

Within Telangana, RRBs routinely outperformed their statutory Priority Sector Lending quotas, channeling crucial working capital and asset finance to micro-units in non-metropolitan pockets. This localized distribution network gained major structural momentum on 1 January 2025 with the consolidation of Telangana Grameena Bank and APGVB into a single unified institution. Commanding a footprint of more than 928 branches across all 33 districts, this consolidated entity significantly reduced institutional friction in extending credit across semi-urban and rural clusters in Rangareddy, Warangal, and Khammam.

6.5 Role of Microfinance Institutions and SHG Bank Linkage



SHG-Bank Credit Linkage Rate — Telangana Compared with Other Leading States (as on 31 March 2024)

Telangana sets the benchmark nationally for grassroots microfinance delivery, boasting a 99% Self-Help Group (SHG)–Bank linkage rate that vastly outstrips other major states like Bihar (82%) and West Bengal (74%). Leveraging this extensive institutional network, lenders extended ₹25,228.89 crore in formal bank credit to women-led SHG groups across the state during FY 2025–26.

Given that customary microfinance loans range modestly between ₹10,000 and ₹2 lakh, they fall far short of the capital needs for enterprises in the ₹1–2.5 crore investment bracket. Consequently, the SHG credit framework acts primarily as an institutional launchpad: it allows budding entrepreneurs to build verifiable repayment track records, ultimately bridging them into mainstream commercial bank lending backstopped by CGTMSE credit guarantees.

6.6 Telangana State-Level Institutional Credit Flow to MSMEs

Quarterly monitoring reports from the Telangana State Level Bankers' Committee (SLBC) track cumulative progress against annual MSME lending benchmarks across all member financial institutions. The data summarized in Table 6.1 illustrates the overall pace and scale of formal credit deployment across the state over two comparative operating cycles.

Reporting Period (Telangana SLBC)	Cumulative MSME Loans Disbursed	Achievement vs Annual Target
Nine months, FY 2022-23 (as reported to 36th SLBC meeting, quarter ended December 2022)	₹66,628.32 crore	133.60% (target already exceeded within nine months)
First quarter, FY 2025-26 (as reported to 46th SLBC meeting, quarter ended June 2025)	₹68,032 crore	33.42% (on track against a substantially larger annual target)

State-level credit planning in Telangana underwent an aggressive expansion, with annual institutional MSME lending benchmarks surging from an estimated ₹49,880 crore in FY 2022–23 to roughly ₹2,03,500 crore in FY 2025–26. This fourfold escalation directly underpins the state's industrialization blueprint laid out in the Telangana MSME Policy (2024).

At the same time, a high Credit-Deposit ratio of 128.67% in March 2025 highlights a banking sector operating at full throttle, mobilizing not just resident deposits but also drawing in external capital lines to satisfy surging credit appetite across the state's enterprise ecosystem.

VII. Main Findings

- The April 2025 classification revision brought many more growing enterprises into the micro category, substantially expanding their eligibility for priority policy benefits.
- Telangana MSME Policy (2024) incentives are largely post-operational reimbursements, making businesses dependent on upfront commercial debt to fund setup costs.
- Khammam and rural Warangal remain underserved priority zones for financial inclusion despite having productive, diversified industrial clusters.
- Commercial banks remain the leading lenders, with credit growth to MSMEs outpacing all other major commercial segments.
- The revised ₹10 crore CGTMSE guarantee ceiling now comfortably covers the financing requirements of enterprises in the ₹1–2.5 crore investment range.
- SIDBI reaches district-level enterprises almost entirely through indirect refinancing via partner commercial banks and RRBs rather than direct branch operations.
- The amalgamation forming a single unified Telangana Grameena Bank removes operational redundancies and strengthens rural credit delivery across districts.
- Telangana's leading SHG network serves as an effective stepping stone to build credit discipline, transitioning entrepreneurs to larger commercial loans rather than funding ₹1–2.5 crore projects directly.
- Credit access remains uneven across regions, with peri-urban Rangareddy leading in liquidity, Warangal showing an urban-rural divide, and Khammam relying primarily on standard commercial branches.
- No official institution publishes district-level, band-specific credit data, creating a significant transparency gap for research and targeted policymaking.

VIII. Suggestions:

8.1 For the Government of Telangana

- Publish district-wise and investment-band-wise data on registered businesses and their credit status, to target support more precisely.
- Consider a bridge-financing scheme (perhaps with SIDBI) so businesses don't have to rely only on commercial loans while waiting for subsidy reimbursement.
- Extend focused credit-awareness campaigns to Khammam and rural Warangal, building on Khammam's earlier success with digital payments outreach.
- Ask the Telangana SLBC to regularly report CGTMSE and SIDBI-linked lending by district.

8.2 For Banks and Lenders

- SIDBI could open a satellite office or run regular outreach visits in Warangal and Khammam.
- Banks should make fuller use of the new ₹10 crore CGTMSE guarantee ceiling for loans to this business segment.
- MFIs and SHG networks could build a clearer 'graduation pathway' to help established borrowers move into formal, larger bank loans.
- Branches should strengthen credit counselling and paperwork support for local entrepreneurs.

8.3 For Businesses and Industry Groups

- Businesses nearing the ₹2-2.5 crore investment mark should check their Udyam registration reflects the new limits, so they don't lose eligibility for support meant for micro-enterprises.
- Industry associations and District Industries Centres could jointly run credit camps to raise awareness of the higher CGTMSE guarantee limit.

8.4 For Future Research

- A future study using direct surveys of business owners and bank managers could establish exact loan numbers and sizes in this segment.
- Comparing these findings with other Telangana districts, or a similar neighbouring state, would show whether these patterns are unique to Rangareddy, Warangal and Khammam.

IX. Conclusion:

This empirical assessment examined the institutional credit mechanisms, spanning Commercial Banks, SIDBI, Regional Rural Banks, Microfinance Institutions, and CGTMSE supporting enterprises within the ₹1–2.5 crore investment and ₹5–10 crore turnover segment across Rangareddy, Warangal, and Khammam districts in Telangana. While the state's financing environment exhibits clear momentum driven by surging MSME lending targets, the consolidation of Telangana Grameena Bank, nation-leading SHG-bank credit linkages, and an elevated ₹10 crore CGTMSE guarantee ceiling, capital distribution remains deeply asymmetrical across

regional economies. Peri-urban Rangareddy absorbs the vast majority of institutional liquidity, Warangal experiences a pronounced urban-rural financing divide, and agro-centric Khammam contends with ongoing inclusion bottlenecks despite its active industrial base. Furthermore, a lack of disaggregated, district-level data categorized by specific investment-turnover brackets continues to hinder evidence-based policymaking. Overcoming these constraints to realize the full objectives of the Telangana MSME Policy (2024) will require implementing granular data-reporting systems, deploying dedicated SIDBI helpdesks and financial counselling infrastructure across semi-urban clusters, and establishing formal graduation mechanisms that systematically transition microfinance borrowers into commercial banking portfolios.

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