

## Specialised Financial Institutions and its Role in the Promotion of Small and Medium Enterprises in Kerala, India

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**Abstract :** Micro, Small and Medium Enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. Kerala is a small state in India with the limited land area with high potential in educated human resources need micro, small and medium enterprises for development. Kerala has the highest Physical Quality of Life Index (PQLI) in India and the highest Human Development Index (HDI) at par with the developed countries SME play an important role in alleviating poverty and contribute significantly towards the growth of developing economies. Financial institutions can play a vital role for the promotion of micro, small and medium enterprises in Kerala. The study entitled "Financial Institutions and its role in the promotion of Small and Medium Enterprises in Kerala" examine the progress of MSME in Kerala and India and also the role of financial institutions and the problems faced by entrepreneurs for getting advances with reference to 'Kerala Financial Corporation'-an agency set up by the government for promoting small and medium enterprises in the state. This study is based on both secondary and primary data. Primary data for the study was collected from those entrepreneurs who availed advances from financial institutions. The secondary data include the investment made, goods and services provided, the employment generated and the number of units registered in MSME sector for the last 10 years in Kerala. The study concluded that financial institutions providing finance with simple procedures and charging smaller interest rates will increase the number of MSME's and also contribute gross state domestic product and reduce the unemployment problem and poverty in the economy.

**Keywords :** gross state domestic product, human development index, micro, small and medium enterprises

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