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Financial Performance Of State Finance Corporation Telangana Division (Tsf) In Msmes-A Study

Dr. G. SUNANDA

Lecturer in commerce

KKR Govt Degree College Kodada

Abstract

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavors through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounted for 0.52% and 0.01% of total estimated MSMEs, respectively. Out of 633.88 estimated number of MSMEs, 324.88 lakh MSMEs (51.25%) are in rural area and 309 lakh MSMEs (48.75%) are in the urban areas.

The MSME sector, an engine for Indian economic development, contributes 28.77 per cent in GDP, accounts for 45 per cent of the manufacturing output, and 40 per cent of the total exports of Indian economy. This sector is estimated to employ about 59 million persons in over 26 million units through the country. The potential demand for MSME finance is estimated at \$8.9 trillion, compared to the credit supply of \$3.7 trillion. Globally 65 million formal MSMEs are credit constrained representing 40 per cent of MSMEs in 128 reviewed countries. There are many lenders working to feed financial and capital requirement for SMEs like SFCs, MSME, PMMY, SIDBI, SMILE for MSMEs, Venture Capital Funds, IDBI, all commercial banks and NBFCs, etc. Among the all, State Finance Corporations (SFCs) are the major players, funding to SMEs and providing capital to SMEs. The State Finance Corporation (SFC) Act, 1951, was enacted with the object of providing medium and long-term financial assistance to SMEs, ensure economic growth with accent on balanced regional growth and widening of the entrepreneurial base through encouragement of new entrepreneurs in the country.

Keywords: MSMEs; Operational Performance Financial assistance

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1.1. INTRODUCTION:

Finance is a prerequisite to mobilize real resources for organizing production. In a developing economy, however, lack of finance is not the only deterrent to economic development. Even when finance is available, other important factors like imperfections in the information flow and dearth of entrepreneurship may come in the way of industrial and economic development. Hence, it is necessary to make finance and other development assistances in a package to take the dormant and developing economies to the take-off stage. Many developing countries, in particular, therefore, set up Development Banks rather than institutions which merely provide finance.

After independence, starting with the establishment of the industrial Finance Corporation of India in 1948, a numbers of development banks have been set up at all-India and state levels for assisting the development of large, medium, and small industries by providing financial and various other promotional assistances. This chapter elaborates the nature of the entrepreneurship in general and entrepreneurship in the state of Telangana State in its distinctive features. The Government of Telangana state ever since its formation (02 june 2014), has created different schemes to promote entrepreneurship. This aspect of institutional support to develop entrepreneurship in Telangana State is also depicted in this chapter. Telangana Division State Financial corporation has been playing a crucial role in promoting entrepreneurship in the state with its schemes of more than 30. The role of SFC through its schemes in the development of entrepreneurship requires financial resources. The resource structure and trends of the SFC are presented here in this chapter. Finally, the problems of 200 sample entrepreneurs with regard to financial assistance are analyzed in this chapter itself. Thus the analysis in this chapter is based on primary and secondary data. The perception of the sample entrepreneurs as to the financial assistance by Telangana Division SFC is presented in the last units of this chapter.

MSMES DEVELOPMENT IN TELANGANA STATE

Telangana, located in the south of India, is one of India's youngest states (provinces). Since its creation in 2014, Telangana has been at the forefront of development with innovative policy initiatives to encourage the establishment of business ventures and investment. Since 2016 Telangana has consistently been amongst the top-3 states for 'Ease of Doing Business.' Business leaders and ventures have re-invested and expanded in Telangana. They have an excellent

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experience with Telangana's commitment towards implementing business-friendly practices and policies and benefit all stakeholders involved. We welcome you to explore the possibilities of investment and business in Telangana—a land of opportunity and growth for all. Check the 'Information Wizard' for details regarding services offered by us and other investor-related information.

In Telangana state in 2017-22 increased 128.3 percent GSDP and its 5th highest growth in india 63 special economic zone are provided to development of industrialization in Telangana state . since 2014 the state got 21 billion founs investment attracted in the state. It has 1.5 lakhs largest land bank in india the state has acqupaid 2 rank with 361 mw solar capacity. In Telangana state the government focused on different sectors development not only MSMEs like Life science, IT/ITEs aerospace, and defence , Food processing renewable energy, automobile , FMCG ,electronics and EV Logistics Minerals and wood based textiles and apparels renewable energy , automobile Gems and jewelery plastics and Green Tech Emerging Technonolgies retails startups. Development of entrepreneurship is normally reflected in the growth of the MSME sector since they form a significant part of the economy of Telangana state.

the state 2.6 Millions total MSME Units in Telangana The contribution of to employment 4 millions total employments and this sector established 19,954 MSMEs registered in the state Rs. 31,023 crores total investment of MSMEs in Telangana state from 2014 to the Gross state Domestic Product is around 6 percent with an employment of 2.5 lakhs people. Entrepreneurship among the women and disadvantaged groups has been encouraged by the state government. By identifying the industrial activity suitable to a particular area emphasis was laid on creation of infrastructure, credit provision and capacity building of the young entrepreneurs. Technological and managerial skills were provided to those desirous of starting industries. The approach has been shifted to dispersal of industries to the backward areas since the seventh five year plan from the earlier labour intensive industries. The district industries centers (DIC) established in the district head quarters provide all services and support under a single roof to the prospective entrepreneurs to set up small scale industries. They further undertake several programs like identifying and motivating the entrepreneurs through special campaigns, training artisans, assisting tiny units and arranging credit facilities. DIC in the state have helped small scale sector to grow significantly. The SSI Board and Development Commissioner look after the policy frame work including promotion and development.

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The trend in the entrepreneurial activity and subsidiary of government in the SSI sector in Telangana state is analysed by taking units, investment and employment in Table 3.1 here under.

1.2 Industry Out Look And Opportunity In Telangana State

The estimated number of MSMEs in India is a staggering 63388 million according to MSMEs Ministry of annual reports 2021-22 one of the major driving factors of India GDP growth is the MSMEs industry, which employ 40% of India s workforce (110.98M) contributing 45% of the output and 40% of the export. In the Telangana state it is estimated to about 2.6 million MSMEs output which 56% are in rural area and 44% urban areas.As many as19.954 registered MSMEs units have commenced their operations since the formation of the state. Were an investment of about Rs.31, 023 crore.

Table -1.1

Total MSMEs in Telangana state

Category	No of units	Investment value Rs in crore	Employment generation
Micro	13546	5099	135,547
Small	5830	15946	1,65,242
Medium	578	9978	62,699
Total	19954	31023	3,63,488

1.Source: telangana state industrial portal

1.3. NEED FOR THE STUDY:

MSMEs of which tiny and small scale units have become components since 2006 MSMEs play an important role in the process of industrialization due to their special features like capital saving, labour intensiveness and foot-lose nature. The government has spent crores of rupees for their development during the plan periods besides creating different institutions to support them of which SFCs were the first in 1951. So, there is a need to examine the operational results of TSFC in providing financial assistance for the development of the MSMEs in Telangana state,

1.4. STATEMENT OF THE PROBLEM:

The growth and sustainability of the business activities depends on the source of finance and its prudent management. It is an established fact through different earlier studies that MSMEs face acute financial problems. TSFC and APSFC was incorporated in 1956 with the mission of providing financial assistance to the SSI/MSME sector in the form of sanctions and disbursements. It would be appropriate to make an in depth probe to find out its financial assistance to the

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MSME sector. Hence this research study assumes significance as it moves in that direction.

1.5. OBJECTIVES OF THE STUDY:

The present study discussing to appraise the contribution of Telangana Division State Financial Corporation in Financing of MSMEs in Telangana state (which means Erstwhile 10 districts of State) The following are the specific objectives of the present study:

- To Examine Performance of MSMEs a special focus on Telangana with the help of Telangana State Financial Corporation.
- To Analysis Financial assistance of Tealangana state financial corporation to MSMEs
- To Measures the findings and suggestions to policies for the development of MSMEs. by Telangana state financial corporation

1.6. SCOPE OF THE STUDY:

The scope of the study is confined to the financial assistance provided by TSFC to the Micro, Small and Medium scale enterprises in Telangana state over a period of 10 years between 2012-13 to 2021-22. The analysis and interpretation are quantitatively based. MSMEs in 10 districts of Erstwhile telangana state. While analyzing the secondary data from different dimensions.

1.7. RESEARCH METHODOLOGY:

The present research is based primary and secondary data of the Telangana Division State Financial Corporation, for which the following methodology is adopted.

1.7.1. Source of Data and Selection of Sample Size

In this study the data has been collected from two sources, i.e. primary data and secondary data. About 200 Micro, small and medium enterprises (MSMEs) are taken as sample from selected districts, Khammam, Karimnagar Warangal, Medak, Rangareddy and Hyderabad which is state capital of Telangana state. These six districts were non backward districts. Primary data has been collected through a structured questionnaire and personal observations are noted separately.

The secondary data is extracted from annual reports, and publications of Telangana Divisional State Financial Corporation and APSFC.

1.7.2. Tools and Techniques of Analysis

In the present study the data collected is tabulated by using different statistical tools. The list of MSMEs units available with the DIC is not comprehensive as many units were closed. The processed data were arranged in

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various tables with a view to provide a better understanding about the financial assistance and pattern of SMEs assisted by telangana division State Financial Corporation in Telangana State.

1.7.3 Period of the Study:

The present study covers the latest 10 years period 2012-2013 to 2021-2022 so that it would be possible to arrive more meaningful findings and conclusions in focusing the attention on the working of MSME units of the selected districts.

1.7.5. Limitations of the Study

The study has certain limitations, as noted here under:

- The study relies entirely on primary and secondary sources. The data provided by authorities of Telangana Division State Fianancial Corporation, Andhra Pradesh State Financial Corporarion and District Industrial Centers has been considered to be authentic. In the absence of proper records and accounts, the responses of majority of the sample respondents depends on their ability to recall. It affects the reliability of the primary data.
- Even information available on internet is very limited. The primary data base agency providing data on all units of industrial sector is equipped with limited data on financial assistance to MSMEs by TSFC in Telangana State.
- The research is a limited study of only Micro, Small and Medium Units in Telangana State. It has discussed the resource mobilization of TSFC and its funding to MSMEs Units in Telangana State.

1.6. SURVEY OF LITERATURE:

Various studies have been conducted from time to time in different states of India on different aspects of small-scale industries. Most of the studies are related to financial aspect, growth of small scale industries. This study mainly confines on both the MSMEs Development and help of State Financial Corporation of Telangana State to functional aspect, i.e., promoting and financing of MSMEs in the State. A review of important studies is presented below.

Sharma(1990)¹ in his article titled “Role of NABARD in small scale industry” states that the proesperity of the rural areas in a country depends on the growth and development of both agriculture and small scale industry. NABARD, as the apex banks for agriculture and rural development is expected to accelerate the all-round development of a country. In this context, it is to be accepted that NABARD has provided credit flow to village/cottage and small scale industry through commercial banks co-operative banks and regional rural banks. The assistance has helped the growth of small scale industry in the country over the years.

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Shetty (1990)² in his article entitled “District industries centers programmes” An appraisal “critically examined different programmes of DICs. The study found that the DICs were not administrated as per the restructuring norms. DICs functionaries acted more in regulating than promotional work. SSI units cannot get proper information, guidance, extension, and training services, to start new-units. The difficulties in getting inputs like raw materials were not addressed by the DICS. It can be stated that the study points out a more effective role to DICs.

Delip R. Shah (1990)³ in his study entitled “Boosting Rural industries Through DIC, A case study” suggested that the tempo of rural industrialization could be boosted by reducing the gap between the schemes of DIC and their actual operation. It implies that the DICS need to implement schemes effectively.

Umesh C. Patnaik(1990)⁴ in his study “Contribution of DIC Programme to SSI in India”, pointed out that after launching DIC programme, the growth rate of SSI sector decreased , particularly in the case of export and employment generation.

The study in Cuddapah District undertaken by Reddappa Reddy (1990)⁵ entitled “Rural Industrialization – Role of District Industries Centre”, revealed that the total number of entrepreneurs identified in the district had been in a declining trend year after year. However, the study indicated that the performance of DICs, in respect of training programme, was satisfactory.

Adhikari and Narendra Singh (1990)⁶ in their article entitled “District Industries Centre- Restructuring”, highlighted the various arrangements in terms of organizational structure, functions, powers of DICs and examined critically the working of DICs. The authors suggested remedial measures based on the study.

ROLE OF SFC IN PROMOTING ENTREPRENEURSHIP

Andhra Pradesh State Financial Corporation [APSFC] - Telangana Division is a state level Development Financial Institution established in 1956 for promoting Small and Medium Scale(SMEs) industries in Telangana under the provisions of the State Financial Corporation' (SFC) Act,1951.The corporation has many entrepreneur - friendly schemes to provide term loans,working capital term loans

SFC Telangana Division has acted as the prime lending agency to tiny, Small Scale and Medium Scale Industrial units in Telangana State. The main objectives of the Corporation include to promote industrial growth through SSI units, expansion of employment, improving the exports of SSI sector and to extend assistance to the sick units in the SSI sector. It has acted as the agency to utilize the resource in the state for industrial development through promoting SSI units, it has designed a strategy to achieve the objectives contemplated as follows.

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- A) Promotion of infrastructure to develop SSI units,
 - B) Development of industrial units on the lines identified,
 - C) Organizational arrangements to achieve the objectives,
 - D) Effective Utilization of funds available under different schemes,
 - E) Quick sanctions and timely assistance to the entrepreneurs
 - F) Holding campaigns for promotion of industrial activity by encouraging the entrepreneurs to participate.

Resource Mobilization by APSFC(Telangana Division)

Mobilization of resources apart from share capital, borrowing, sale of bonds and refinance by RBI are analyzed between 2014-15 and 2021-22 to assess the trends. Data is presented in Table 3.3 showing the mobilized amounts, difference amounts 2014 and present year, and the growth rates. The analysis elaborated so far is partial in depicting the overall resources of APSFC as certain components like share capital are excluded. In order to present a comprehensive picture of the structure of the resources of SFC between 2014 and 2022 data is furnished in table-1.2

It can be inferred that the total resources of SFC have increased substantially during the study period. Corporation share capital Rs.20,600.99 threr is no increase between in this years borrowings were Rs.2,75432.61 and Rs.20,070.40 decreased the borrowing fund by the corporation it means growth rate positive positions in the during the periods. Reserve are increase simultaneously with the Rs.1,08,277.64 (31.24 percent) against the 2014 Rs.50,870.21(7.10) percent and finally other sources of the corporation Rs.3,67,642.89(51.35) percent in the parent year 2022 Rs.1,89,680.60 (54.74) Further the year on rate of increase has been in the range of 12 to 20 percent expect in two out of during the period of the study. SFC, with this resource backing has been effective in extending financial assistance to the MSMEs. The overall resources of Telangana Division SFC decreased from Rs.3,46,490.74 lakhs to Rs.7,15,881.29 lakhs between 31st March 2014 and 31st March 2022. The decrease of accounts for 4.75 times.

Table-1.2

Components cumulative resources mobilization by Telangana division state financial corporation Rs. In lakhs

S.L.No	Components	As On 31 st	As On 31 st
		April 2014	March 2022
1	Paid up share capital	20600.99	20600.99

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		(2.87)	(5.94)
2	Loan-in lieu of share capital	1334.00 (0.18)	1334.00 (0.38)
3	Borrowings	275432.61 (38.47)	20070.40 (5.79)
4	Bonds	6527.21 (0.91)	6527.21 (1.88)
5	Reserve	50870.81 (7.10)	108277.64 (31.24)
6	Other sources	367642.89 (51.35)	189680.60 (54.74)
	Total	715881.29	346490.74

3.Sources: Compiled from Annual Reports of APSFC TELANGANA STATE 2014-05-2022 page.no. 19-20

The performance of the SFC has changed dramatically in 2014-15 to 2021-22. Sanctions disbursements and recoveries were satisfactory in this during the period. In 2018-19 sanctions were Rs.755.68 crores with 23.11 percent disbursements Rs.597.51 crores 24.08 percent and recoveries increased Rs.1018.47(23.00) percent then 2017-18. The corporation total income is decreased then other previous years in present year Rs.393crores (11.29) percentage but total expenditure decreased Rs.209.53 crores with (7.71) percent comparison to previous years expenditure. The corporation operating profit and net profits are positive growth rate in present year Rs.183.55 crores (31.18) percent and Rs.142.56 (32.56) percent respectively..Similarly total income of corporation Rs.3479.94 crores. Increased 2-3 times. It can be inferred that the performance and resource structure of APSFC has undergone significant changes during the study period. Borrowings have decreased and other sources have increased by 23-40 percent. The overall resources of Corporation between 2014 and 2022 have gone up by more than four times, which is a note worthy stride in resource mobilization and performance of sanctions disbursement and recoveries.

Table-1.3

Performance Indicator of Telangana Division State Financial Corporation
Rs.In Crores

Category/ year	2014- 15	2015- 16	2016- 17	2017- 18	2018-19	2019- 20	2020- 21	2021- 22	Total
Sanctions	191.34 (5.85)	381.26 (11.66)	324.51 (9.92)	377.97 (11.53)	755.68 (23.11)	309.26 (9.45)	437.66 (13.38)	491.63 (15.03)	3269.31 (100.00)

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Disbursements	185.63 (7.45)	229.04 (9.23)	236.53 (9.5)	261.33 (10.53)	597.51 (24.08)	281.11 (11.32)	338.72 (13.65)	351.31 (14.14)	2481.18 (100.00)
Recoveries	334.44 (7.57)	384.71 (8.71)	381.42 (8.64)	446.49 (10.11)	1018.47 (23.00)	88.37 (2.00)	880.94 (19.95)	879.22 (19.91)	4414.06 (100.00)
Total Income	477.71 (13.72)	481.54 (13.82)	443.97 (12.73)	438.56 (12.60)	457.24 (13.14)	426.46 (12.25)	361.18 (10.97)	393.08 (11.29)	3479.74 (100.00)
Total Expenditure	396.75 (14.7)	428.79 (15.89)	384.08 (14.23)	348.21 (12.9)	330.89 (12.23)	311.28 (11.53)	288.36 (10.68)	209.53 (7.7)	2697.89 (100.00)
Operating Profit	22.30 (3.78)	15.93 (2.70)	19.44 (3.30)	33.10 (5.62)	126.35 (21.46)	115.18 (19.50)	72.82 (12.37)	183.55 (31.18)	588.67 (100.00)
Net Profit	10.62 (2.42)	12.79 (2.92)	17.56 (4.01)	21.51 (4.91)	89.08 (20.30)	70.08 (16.00)	73.57 (16.80)	142.56 (32.56)	437.77 (100.00)
Total	1618.79 (9.32)	1934.06 (11.13)	1807.51 (10.40)	1927.27 (11.09)	3375.22 (19.43)	1601.74 (9.22)	2453.25 (14.12)	2650.38 (15.20)	17020.54 (100.00)

4.Source: Compiled from Annual Reports of APSFC telangana division from 2014-2022

1.10.FINDINGS:

1. The major problems encountered by the MSMEs in India are related to project implementation, production process, marketing, finance and managerial aspects.
2. Hyderabad Rangareddy, Medak, districts in the multi zone of Telangana State and Khammam, Rangareddy Karimnagar and Warangal districts in zone IV of Telangana state have higher concentration of MSME in the state.
3. The Government of telangana has encouraged marginalized social groups like SC,ST and BC entrepreneurs along with women entrepreneurs in its policy interventions.
4. The trends in the entrepreneurial activity with regard to MSMEs in Telangana State are encouraging Units and employments and investment have increased between 2015-16 and 2021-22.
5. Special areas like Agro, chemical, and electronic based have been identified to encourage women and marginalized social groups in these lines of production.
6. Telangana division SFC, as a nodal agency has initiated 30 schemes to promote entrepreneurship in the MSME sector of which Mahila Udyam Nidhi Scheme, Super Bazaars, and Retail out let schemes are significant.

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7. Telangana division has been effective in increasing its resources by 3.1 times during the period of the study and the trends in the decrease have been lower from 2014-15 onwards. Over the years bonds have become insignificant in the resource structure while share capital has also decreased. Other sources have become more important.

1.11.Suggestions:

1. MSME units are to be encouraged more in the rural areas and semi-urban centers to reduce the pressure on the agricultural sector for employment. More over, growing urbanization and the related problems can be reduced besides diversification of rural occupations to ensure better living condition to the rural people.

2. Major problems of MSMEs in India like project implementation, production process, marketing, finance and managerial aspects are to be addressed promptly.

3. Marginalized social groups like SC, ST, BC and women are to be encouraged in the promotion of MSME in the states across India

4. The schemes of APSFC Telangana division (other SFCs) in entrepreneurial promotion are to be given wide publicity through awareness camps. Productive activities suitable to women entrepreneurs are to be identified.

5. The resource structure of the APSFC Telangana division is to be improved in relation to its financial activities.

6. Constant research on the available resources in different areas / industrial districts and their commercial use is to be taken up by the academicians, scientists and research institutes.

Problems like collateral security, procedural delays are to be addressed by the officials of the APSFC Telangana division

1.12.Conclusion

Performance evaluation of the state financial corporation MSMEs financial assistance variations are found to be glaring on all counts among the 10 districts the newly separation of Telangana state Telangana division state financial corporation has provide financial assistance 63 percent MSMEs units and more than half of the share in the financial assistance to backward districts It implies that the sanctions and disbursements are heavily weighted in favour of the backward districts /regions due to the capital region has more infrastructural units state capital like Hyderabad city and the Medak, Ranga reddy districts implies in the development of economical caridars in the state. At the same time

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state financial corporation also given importance to these districts. While conducive business environment of Telangana state has impact on for the establishments of more units. As well as receiving the sanctions from the corporation.. The units of non capital has received 42 percent of financial assistance from the SFC, while capital region of sanction, and disbursement is 58 percent hear more sanctions and disbursement snatching by capital region districts.

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