



“The Role of Small Industries Development Bank of India (SIDBI) in developing the Micro, Small & Medium Enterprises (MSMEs) in India”

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ABSTRACT: Micro, Small & Medium Enterprises (MSMEs) play vital role in economic developments in India. As per the information received from the Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation (MOSPI), the Share of MSME Gross Value Added (GVA) in total GVA during 2016-17 was 31.8%.¹According to Directorate General of Commercial Intelligence and Statistics (DGCIS) the Share of MSME related Products in total Export from India during 2018-19 is 48.10%. To provide Financial assistance to MSME SIDBI play Crucial role. This research paper Highlighted role of SIDBI in providing Financial assistance to MSME.

Key Word: MSME, SIDBI, LOAN, MSME Act.

Review of Literature:

1) Mali (1998) – Mr. Mali in his study Observed that small and medium enterprises (SMEs) and micro enterprises face Serious competition from large scale units. MSME needs improve to do some changes in Management, production capacity, use of manpower. The study also reveals that growth rate of MSME will increase in future after forming strategic alliance with international units. Strategic alliance provide opportunity in better utilization of raw material and available man power.

2) K. Sankara Rao, Abdul Rahman Noorinasab (Dec -2013) – The study highlighted the performance of SIDBI in development of MSME and challenges faced by MSME. The study reveals that adequate financial assistance, poor raw material supply, lack proper infrastructure facilities were the main issue for development of MSME. However, SIDBI provide financial assistance to overcome the problem of inadequate finance.

3) Bala Subrahmanya (2004) – The study concludes that small and medium scale industries in India suffer from the disadvantage of technological development, financial infrastructure and poor policy decision. etc due to the above drawback industries were not developed according to the expected growth rate. MSMEs need to adopt more automation for efficient production. Progressive growth of small and medium scale industries would make a positive contribution to national income and employment.

Objective of Paper:

- 1) To Study the role of SIDBI in the development of MSMEs in India.
- 2) To Study the Role of MSME sectors in development.

Research Methodology: The research paper is based on Secondary data. The Required data and Information have been collected from Annual Reports of SIDBI; SIDBI's Reports on MSME Sector; Ministry of MSME's releases; The RBI Annual Reports and Various Websites relevant to the topics.

Introduction:

Micro, Small & Medium Enterprises (MSMEs) is key to rapid industrial growth in India. It contributes a significant share in GDP and employment generation in India. According to the Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation (MOSPI), the share of MSME Gross Value Added (GVA) in total GVA during 2016-17 was 31.8%. The Ministry of Micro, Small and Medium Enterprises, which is a branch of the Government of India, is the apex executive body for the formulation and administration of rules, regulations and laws with regards to Micro, Small and Medium Enterprises in the country. The Government set a target for Micro, Small & Medium Enterprises (MSMEs) sectors to contribute \$2 trillion in total country's GDP (Gross Domestic Product). The MSME Act was introduced in 2006 with the purpose of creating a legal framework for MSMEs.

MSMEs are majorly divided into three different types, which depend upon one factor – the amount invested in the business.

Category	Manufacturing / Production Sector
Micro Enterprises	Investment up to Rs 25 lakhs
Small Enterprises	Investment above Rs 25 lakhs and up to Rs 5 crores
Medium Enterprises	Investment above Rs 5 crores and up to Rs 10 crores

Category	Service Sector
Micro Enterprises	Investment in equipment up to Rs 25 lakhs
Small Enterprises	Investment in equipment more than or equal to Rs 25 lakhs and less than Rs 5 crores
Medium Enterprises	Investment in equipment greater than or equal to Rs 2 crores and less than or equal to Rs 5 crores

(Source: MSMED Act 2006)

Role of Small Industries Development Bank of India:

Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector. The SIDBI provide finance to the Finance to the MSME by Direct and Indirect Way. MSME sectors face problem of unnecessary delay in receiving payments from creditors. Shortfall of Finance Create problem in Technological improvements and Business expansion. To Overcome the problem of MSME, SIDBI provide Financial Assistance to The MSME for technological Upliftment, Supply Raw material and Financing Working capital.

Amount of Loan Sanction and Disbursed by SIDBI:

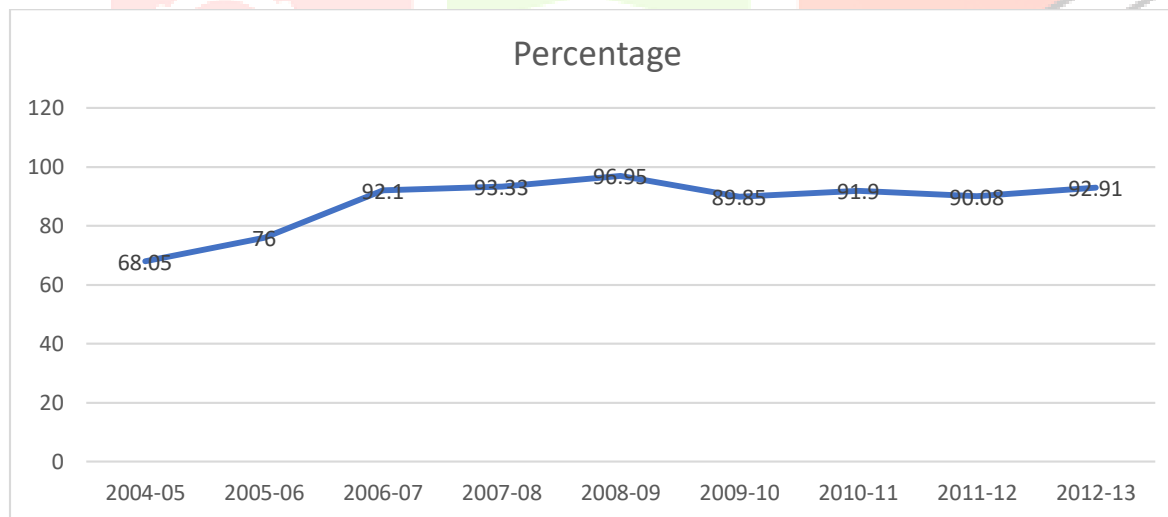
All figures are in Rs. Crores:

Year	Sanctions	Disbursed	Percentage
2004-05	9091	6189	68.05
2005-06	11975	9100	76.00
2006-07	11102	10225	92.10
2007-08	16164	15087	93.33
2008-09	29188	28298	96.95
2009-10	35521	31919	89.85
2010-11	42214	38796	91.90
2011-12	45688	41160	90.08
2012-13	51565	47859	92.91

Sources: Annual Reports of SIDBI

The table indicate amount of loan Sanction and disbursed by SIDBI under various Schemes. According to the Annual reports of SIDBI, we conclude the portfolio show Increments. Both sanction amounts and Disbursed amount show up ward movements. In the year 2004-05 SIDBI sanctions 9091 Crores Rupees out of which SIDBI disbursed 6189 Crores rupees in the same Year. From the 2004-05 Amount goes on increasing, in the year 2012-13 SIDBI Sanctions 51565 Crores and disbursed almost 47859 Crores in 2013-2013.

Percentage of Loan disbursement by SIDBI From 2004-05 to 2012-13



From the Above graph it I observed that Loan distribution ratio show positive movement. In the year 2004-2005, SIDBI record 68.05 percent loan sanctions to disbursement ratio whereas in the year 2012-2013 it almost touch to 92.91 percent. out of study period year 2008-2009 was the best from loan distribution point of view, SIDBI Distributed 96.95 percent.

Conclusion:

MSMEs play an important role as the growth in the Indian Economy. The Main Objective MSME employment generation, export earnings and high contribution to domestic production. The MSME Support Large scale industries for developments of industrial Area in India. The biggest problem of MSMEs is the unduly delayed payments by Creditors. the other problems are lack of infrastructure inputs and Commercial banking support. For the upliftment of technology and smooth functioning of Day today business operation required finance. To tackle the financial problem of MSME, SIDBI introduce various schemes and provide financial assistance to MSME. Due to financial assistance provided by SIDBI, MSME show Continuous improvements.

Reference:

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- 4) Bala Subrahmanya, M. H. (2004), „Small Industry and Globalization: Implications, Performance and Prospects“,Economic and Political Weekly, Volume XXXIX, No.18, pp 1826-1834.

