

The Performance of SIDBI in the development of MSME in Uttar Pradesh

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Abstract: Uttar Pradesh is a region where the employment problem is most acute and the development of small-scale industry occupies importance for solving the unemployment problem and for achieving economic growth. In terms of size and factor productivity small-scale sector in Uttar Pradesh compared poorly with all India figures and other eastern states. So the growth of small-scale industry is not remarkable in Uttar Pradesh. One of the main reasons for sickness is shortage of finance. This study shows how the Small Industrial development bank of India help the Micro small and Medium Enterprises of Uttar Pradesh in their overall development.

Keywords: GDP, MSME, productivity, SIDBI

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I. Introduction

A country has to embark upon industrialisation for quickening the pace of economic development. The net value of output per person is higher in industry than in agriculture due to the greater scope for internal as well as external economies. Jawaharlal Nehru correctly express the need when he said, "Real progress must ultimately depend upon industrialisation". The planners and visionaries have looked upon industrialisation as the main vehicle for improving the living standard of the people. In the beginning of this century, M. Visweswarya opined, "industrialise or perish".

In the development of Indian economy, the small-scale sector, which covers a wide spectrum of industries, occupies an important place. It has undoubtedly grown into one of the most vital sectors of our economy. The small-scale sector including small, tiny and cottage industries with a total strength of forty lakh units plays a vital role in the economy. It not only provides immediate employment on a large scale but also acts as a tool for ensuring a more equitable distribution of income as well as an effective vehicle for mobilisation of resources including capital and entrepreneurship, which would otherwise remain unutilized. According to the Economic Survey 2001-02 the small-scale sector has played a very important role in the socio economic development of the country during the past 50 years. It has significantly contributed to the overall growth in terms of Gross Domestic Product (GDP), employment generation. The performance of the small-scale sector therefore has a direct impact on the growth of the overall economy.

II. Objective Of The Study

- To assess the performance of SIDBI.
- To assess the promotional and developmental activities of SIDBI.

III. Review Of Literature

Salim (1998) in his study proves that in most categories of industries there is more number of high performing units followed by moderate performing units. High performing units have more market orientation than low performing units. There is a strong positive correlation between market orientation and business performance.

Sindhu, H. (1998) in their study state that, employment generation has increased over a period of time. The other findings of the study are related to decline in employment in the household industries, and a decline in the contribution of the large scale sector to employment generation.

Hayami, et al. (1998) reveal that marketing channels be established which connect small rural producers with large urban and/or foreign demand. This study investigates various forms of production and trade contracts being practiced at the grass root level in the metal craft manufacturing industry on the outskirts of Greater Manila in the Philippines.

correct to consider the government as a machinery to immune such influences.

Moli, et al. (2000) in their study reported that the considerable increase in the number of women entrepreneurs is a result of the various support measures extended by governmental and non governmental agencies and the

changing attitude towards women entrepreneurship, However, women entrepreneurship registers low level in backward districts of Wynad, Kannur and Kasargod Specific programme may be implemented in these areas to increase the level of entrepreneurship.

Bagchi (2000) reports that though the small-scale sector contributes significantly to industrial output, employment and earning of foreign exchange it suffers from severe technological obsolescence and lack of economies of scale. The small industries development organization under the ministry of SSI and ARI has been providing institutional support for the promotion of technology but in a vast country like India these facilities are inadequate.

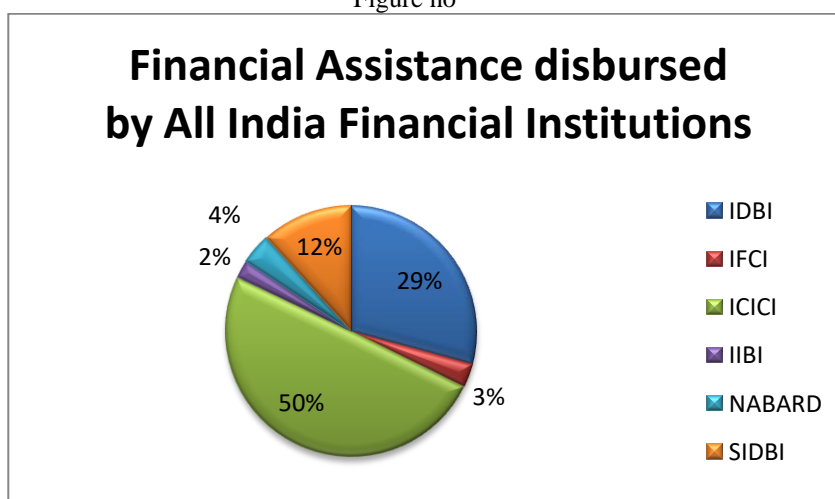
Analysis Functional Performance analysis of Selected development bank.

Table no Assistance disbursed by all India financial Institutions from 2005-06 to 2009-10

S.no	Financial Institutions	2005-2006 (Rs. crores)	% share	2006-2007 (Rs. crores)	% share	2007-2008 (Rs. crores)	% share	2008-2009 (Rs. crores)	% share	2009-10 (Rs. crores)	% share	Average %
1	IDBI	17473.50	31.80	17062.80	31.40	15368.80	24.10	14596.30	28.66	16456.70	30.20	29.23
2	IFCI	2164.70	3.94	2078.90	3.83	1582.60	2.48	1490.80	2.93	1265.70	2.32	3.1
3	ICICI	25835.60	47.01	25495.50	46.93	36835.40	57.77	24395.30	47.90	26423.40	48.50	49.62
4	IIBI	1439.60	2.62	1254.20	2.31	1067.40	1.67	1346.70	2.64	1198.20	2.20	2.29
5	NABARD	2078.40	3.78	2164.90	3.98	2354.60	3.69	2074.30	4.07	2598.50	4.78	4.06
6	SIDBI	5965.20	10.85	6275.40	11.55	6554.30	10.28	7023.40	13.80	6543.10	12.00	11.70
	Sub-Total	54957	100	54331.70	100	63763.1	100	50926.8	100	54485.6	100	100

Source: IDBI report on development banking, 2010

Figure no



Out of the total assistance disbursed by AIFIs in the five years an average of 88.3 percent is disbursed by All India Development Banks. Among the All India Development Banks SIDBI is *the* third position and it's disburse average is 11.7 percent of the assistance disbursed by the AIFIs.

Table no

Share of SIDBI in State wise Assistance Sanctioned by All Financial Institutions (% share) from 2005-06 to 2009-10

S.no	State	2005-06	2006-07	2007-08	2008-09	2009-10	Average
1	Andhra Pradesh	12.54	8.53	4.26	3.76	4.59	6.74
2	Arunachal Pradesh	6.05	7.43	7.05	43.45	26.87	18.17
3	Assam	9.03	17.65	6.56	4.22	4.95	8.48
4	Bihar	37.46	44.31	40.26	20.72	31.51	34.85
5	Chhattisgarh	14.53	12.31	19.54	13.98	17.68	15.61
6	Delhi	16.78	9.20	6.45	3.87	5.36	8.33
7	Goa	23.45	19.47	23.86	18.92	6.72	18.49
8	Gujarat	5.43	6.25	5.73	4.90	4.42	5.35
9	Haryana	18.52	24.37	13.47	16.43	2.87	15.13
10	Himachal Pradesh	17.84	14.76	12.57	5.64	3.56	10.87
11	Jammu & Kashmir	40.21	32.46	25.67	6.43	27.31	26.42

12	Jharkhand	12.10	8.94	14.36	7.96	12.65	11.20
13	Karnataka	6.32	10.14	8.62	6.40	8.65	8.03
14	Kerala	28.30	20.45	31.21	23.61	7.54	22.22
15	Madhya Pradesh	13.13	12.63	15.39	11.75	12.43	13.07
16	Maharashtra	9.28	8.46	9.01	7.40	6.32	8.09
17	Manipur	3.56	56.35	12.31	4.32	5.43	16.39
18	Meghalaya	48.42	27.80	44.75	26.72	10.93	31.72
19	Mizoram	23.56	12.31	27.52	16.32	11	18.14
20	Nagaland	12.43	43.43	37.51	25.69	52.67	34.35
21	Orissa	10.43	10.47	10.94	5.78	21.20	11.76
22	Punjab	16.45	21.21	12.27	11.62	4.30	13.17
23	Rajasthan	7.42	8.49	6.49	9.72	7.58	7.94
24	Sikkim	55.05	12.42	24.48	32.6	4.67	25.84
25	Tamil Nadu	14.76	23.45	4.27	6.42	5.53	10.89
26	Tripura	45.11	35.09	50.41	52.41	56.43	47.89
27	Uttaranchal	7.65	8.43	5.54	7.38	4.65	6.73
28	Uttar Pradesh	20.12	14.37	15.37	12.67	16.34	15.77
29	West Bengal	7.32	5.38	6.45	6.54	8.60	6.86

Source: IDBI report on development banking, 2010

It is clear from the table that SIDBI has highest percentage share in per capita assistance in Tripura (47.89 percent), and lowest share in Gujarat (5.35 percent). In Uttar Pradesh the share of SIDBI was 20.12 percent in 2005-06. This comes down to 16.34 percent in 2009-10. The average share of SIDBI was found to be 15.77 percent in Uttar Pradesh.

Table no Share of SIDBI in Scheme wise Assistance sanctioned by AIFI (% share)

1. Direct Finance	2005-06	2006-07	2007-08	2008-09	2009-10	Average
A. Project Finance						
a. Rupee Loan	5.65	2.73	3.45	1.87	5.42	3.82
b. Foreign Currency loan	0.10	0.05	0.00	0.03	0.02	0.04
B. Non Project Finance						
a. Asset credit/Equipment Finance	24.21	32.24	35.42	50.41	38.57	36.17
b. Working capital/Short term loan	0.12	0.14	4.20	2.75	0.85	1.61
2. Refinance	75.42	47.60	78.65	82.47	77.09	72.25
3. Bill Finance						
a. Bill Rediscounting	21.20	31.21	35.47	20.61	19.65	25.63
b. Direct Discounting	55.45	42.89	28.90	37.75	72.00	47.40
4. Loan to and Investment in shares/bonds in FI's	36.53	2.05	6.32	10.24	15.31	14.09

Source: IDBI report on development banking, 2010

The average share of SIDBI in rupee loan is only 3.82 percent of AIFIs rupee loan and Average share in foreign currency loan is only 0.04 percent. However the share of SIDBI in total project finance is 3.86 percent. In working capital finance the share of SIDBI is negligible it is only 1.61 percent. But in Refinance the SIDBI has considerable share 72.25 percent The Scheme wise analysis reveals that SIDBI has considerable share in refinance in all the years.

Table no Share of SIDBI in Industry wise assistance sanctioned by AIFIs (% share)

s.no	Industry	2005-06	2006-07	2007-08	2008-09	2009-10	Average (%)
1	Food products	18.82	16.79	24.37	28.54	26.37	23.01
2	Textile	8.30	7.04	5.42	7.90	6.54	7.04
3	Jute	15.41	8.94	25.65	7.84	16.53	14.87
4	Paper & P. products	10.45	9.35	6.24	8.20	6.45	8.14
5	Leather & L. products	17.24	28.23	18.42	54.42	28.68	29.40
6	Rubber & R. products	7.94	8.53	6.45	7.64	8.59	7.83
7	Plastics & P. products	37.80	35.45	32.49	32.85	38.67	35.45
8	Chemical & C. products	8.45	6.32	4.38	5.29	1.89	5.27
9	Pharmaceuticals	3.46	4.32	2.56	1.73	3.42	3.09
10	Fertilizers	0.89	0.85	0.49	0.85	0.20	0.66
11	Cement	1.27	2.42	1.67	0.52	1.35	1.44
12	Ceramics	85.46	92.41	80.29	45.75	78.58	76.50
13	Basic metals	1.78	2.54	3.23	1.54	2.58	2.33
14	Metal products	23.45	21.37	12.42	18.56	16.64	18.49
15	Machinery	30.32	32.46	18.65	27.53	20.49	25.90
16	Electrical equipments	4.52	5.48	6.21	4.21	4.84	5.05
17	Electronic equipments	4.53	10.89	7.93	9.53	5.42	7.67
18	Information Technology	11.54	5.43	13.56	12.72	18.42	12.33
19	Automobiles ancillaries	78.52	85.42	69.50	75.39	89.43	79.65
20	Transport equipments	12.54	10.49	7.62	4.50	3.74	7.78

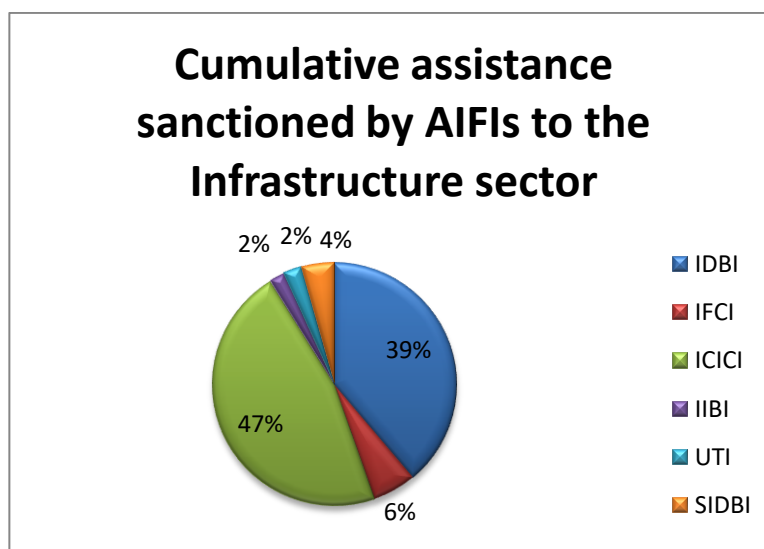
21	Infrastructure	4.36	3.78	5.32	2.68	2.65	3.76
22	Entertainment	3.42	1.56	0.00	0.00	0.00	0.99
23	Services	17.42	8.65	8.48	14.89	10.78	12.04
24	Mining	9.32	4.62	3.65	3.54	1.56	4.54
25	Other Industries	9.42	8.47	7.37	8.53	6.59	8.08

Out of the total assistance by AIFIs the maximum share is provide to Automobiles and ancillaries industry and the share is minimum to the Fertilizers industry Out of the AIFIs assistance to the Automobile and ancillaries industry 79.65 percent are provided by SIDBI. Assistance to Ceramics and plastic products industries occupies second and third place respectively in SIDBI assistance.

Table no. Cumulative assistance sanctioned by AIFIs to the Infrastructure sector

S.no	Financial Institutions	Electricity generation (Rs. crores)	% share	Telecommu nication (Rs. crores)	% share	Road/Port bridged/ Railways (Rs. crores)	% share	Urban Infrastructure (Rs. crores)	% share	Total (Rs. crores)	Average %
1	IDBI	42928.5	42.64	8986	34.14	2842.6	27.25	1428.7	20.22	56185.8	38.89
2	IFCI	6435.6	6.40	1200.8	4.56	680.2	6.52	0.00	0.00	8315.6	5.76
3	ICICI	40572.9	40.30	15645.6	59.44	6823.7	65.43	4230.6	59.86	67272.8	46.56
4	IIBI	1522.4	1.51	478.4	1.82	82.4	.80	862.5	12.20	2945.7	2.04
5	UTI	3546.7	3.52	8.87	.03	0.00	0.00	0.00	0.00	3555.57	2.45
6	SIDBI	5665.4	5.63	2.75	.01	0.00	0.00	545.6	7.72	6214.75	4.30
	Total	100671.5	100	26322.42	100	10428.9	100	7067.4	100	144490.22	100

Source: IDBI report on development banking, 2010



Cumulative assistance by AIFIs to various infrastructure sectors is shown in Table Infrastructure sector comprise **electricity generation, telecommunication, road/ports bridges/Railways/and urban infrastructure**. Of the total finance provided to the Electricity generation major portion is provided by IDBI and ICICI their shares are 42.64 percent and 40.30 percent respectively. The share of SIDBI is only 5.63 percent. In the case of Telecommunication also major portion of the finance is provided by ICICI and IDBI i.e. 59.44 percent and 34.14 percent respectively. The share of SIDBI in this case is also negligible i.e.0 .01 percent only. More than 50 percent of the finance to the Road/Port/Bridges/Railways is provided by ICICI alone. For this sector SIDBI is not providing any assistance. For urban infrastructure and others also more than 50 percent of the assistance is provided by ICICI. For this sector the share of SIDBI assistance is only 7.72 percent. From the above it can be observed that in Infrastructure financing more than 50 percent are provided by IDBI and ICICI. IIBI has the lowest share in financing infrastructure sector 2.04 percent. SIDBI has only 4.30 percent share in financing the infrastructure sector.

Table no. Share of SIDBI in Purpose wise Assistance Sanctioned by AIFIs from 2005-06 to 2009-10 (% Share)

S. no	Purpose	2005-06	2006-07	2007-08	2008-09	2009-10	Average (%) share
1	New	12.37	14.42	11.86	12.39	13.63	12.93
2	Expansion/Diversification/acquisition	3.52	3.27	2.76	2.90	3.51	3.19
3	Modernization	9.07	6.64	20.18	9.17	6.39	10.30
4	Rehabilitation	5.26	3.51	2.89	6.38	4.64	4.54
5	Working capital	0.19	0.27	1.62	0.08	0.16	0.46

Source: IDBI report on development banking, 2010

Out of the total assistance provided by the AIFIs for Modernization the share of SIDBI is only 10.30 percent. For new units the share of SIDBI is only 12.93 percent of the total assistance provided by the AIFIs. For working capital and expansion the share of SIDBI is 0.46 and 3.19 percent respectively.

Promotional and developmental activities of SIDBI.

1. Rural industrialization program

The SIDBI operates a number of special schemes, viz., Micro credit scheme, Mahila Vikas Nidhi, Entrepreneurship development programs, Rural industries program and other similar programs for SSIs.

Table no. District wise classification of the units on the basis of which they Availed rural industrial program of SIDBI.

Name of District	SIDBI aided units			Other agency aided units		
	Availed	Not Availed	Total	Availed	Not Availed	Total
Agra	8	2	10	9	1	10
Lucknow	7	3	10	7	3	10
Kanpur	7	3	10	8	2	10
Moradabad	6	4	10	6	4	10
Meerut	7	3	10	9	1	10
Varanasi	8	2	10	5	5	10
Bareilly	6	4	10	7	3	10
Saharanpur	7	3	10	8	2	10
Jhansi	6	4	10	6	4	10
Aligarh	8	2	10	8	2	10
Total	70	30	100	73	27	100

Table reveals that majority in both the groups availed rural industrial program 70 percent and 73 percent in SIDBI aided units and Other agency aided units respectively. While 30 percent in SIDBI aided group and 27 percent in Other agency aided units not availed this program.

2. Human Resource development Program

Often small business fails because management is not prepared to handle increased demands on skill and knowledge. Unfortunately, they often lack the managerial skills to recognize, hire and tap the talents they need to survive and grow. In order to overcome the weakness of low level of technology, non-existence of skilled manpower and management deficiency the SIDBI has specially designed programs like Small Industries Management Assistance Programs (SIMAPs) and Skill cum Technology Upgradation Program (STUPs).

Table no. District wise classification of the units on the basis of the Availedness about Human resource developmental program of SIDBI.

Name of District	SIDBI aided units			Other agency aided units		
	Availed	Not Availed	Total	Availed	Not Availed	Total
Agra	4	6	10	7	3	10
Lucknow	5	5	10	8	2	10
Kanpur	8	2	10	7	3	10
Moradabad	5	5	10	6	4	10
Meerut	4	6	10	9	1	10
Varanasi	6	4	10	5	5	10
Bareilly	7	3	10	7	3	10
Saharanpur	3	7	10	8	2	10
Jhansi	6	4	10	6	4	10
Aligarh	5	5	10	5	5	10
Total	53	47	100	68	32	100

Table reveals that 53 percent and 68 percent in SIDBI aided units and other agency aided units respectively availed the program. While 47 percent and 32 percent in SIDBI aided units and other agency aided units respectively not availed this program.

3. Technology Upgradation

SIDBI has taken a proactive approach in providing escort services for the implementation of unit-specific modernization packages in selected industrial clusters. The bank also extends support for training programs through reputed research institutions

Table no. District wise classification of the units on the basis of which they Avail Technology upgradation program of SIDBI.

Name of District	SIDBI aided units			Other agency aided units		
	Availed	Not Availed	Total	Availed	Not Availed	Total
Agra	9	1	10	6	4	10
Lucknow	6	4	10	8	2	10
Kanpur	7	3	10	7	3	10
Moradabad	7	3	10	6	4	10
Meerut	7	3	10	6	4	10
Varanasi	6	4	10	8	2	10
Bareilly	7	3	10	5	5	10
Saharanpur	7	3	10	8	2	10
Jhansi	6	4	10	7	3	10
Aligarh	7	3	10	7	3	10
Total	69	31	100	68	32	100

Table reveals that 69 percent and 68 percent in SIDBI aided units and other agency aided units respectively availed the program. While 31 percent and 32 percent in SIDBI aided units and other agency aided units respectively not availed this program.

4. Program on environment and quality management

The main objectives of this programs are: (a) to make SSI units Availed of the importance of environmental issues and to provide them with necessary technical support to implement projects which can provide relative social and environmental benefits as compared to the financial cost incurred and (b) to educate the SSI units about environmental regulations, which need to be adhered to and the steps required to operate within prescribed norms.

Table no. District wise classification of the units on the basis of which they Avail Environment and quality management program of SIDBI.

Name of District	SIDBI aided units			Other agency aided units		
	Availed	Not Availed	Total	Availed	Not Availed	Total
Agra	6	4	10	4	6	10
Lucknow	4	6	10	7	3	10
Kanpur	6	4	10	3	7	10
Moradabad	3	7	10	2	8	10
Meerut	7	3	10	9	1	10
Varanasi	8	2	10	9	1	10
Bareilly	5	5	10	8	2	10
Saharanpur	5	5	10	7	3	10
Jhansi	7	3	10	3	7	10
Aligarh	8	2	10	6	4	10
Total	59	41	100	58	42	100

Table reveals that 59 percent and 58 percent in SIDBI aided units and other agency aided units respectively availed the program. While 41 percent and 42 percent in SIDBI aided units and other agency aided units respectively not availed this program.

5. Market promotion program

SIDBI's direct intervention is considered necessary, even though providing assistance for intangible marketing activities generally bears significant risk. These activities include the sponsoring/organizing of exhibitions in India and abroad with the intention of subsidizing participation costs for SSIs, tying up with world-renowned organisations to provide market information at concessional rates, as well as rating services to export oriented SSI units and sponsoring market studies.

IV. Conclusion

The government of India in its activity to promote, the small-scale sector, established Small Industries development bank of India (SIDBI) in April 1990 underneath an Act of the Parliament. SIDBI in these days, has to participate in a competitive environment where resources are scarce and in most cases to be had at market-decided premiums (as towards the excessive protection and subsidised resources supplied earlier by way of the federal government of India and a few international agencies). SIDBI requires the taking of a proactive and a ahead-looking method to face the impending, market and other competitive forces. Uttar Pradesh is a region the place the employment situation is most acute. Small-scale industries are considered customarily labour intensive. As a result the advertising of small-scale industries is integral to provide more employment at less unit cost of capital and achieve financial progress.

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