

Study of Micro Finance and MSMEs Funded by Small Industries Development Bank of India (SIDBI)

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Abstract

Microfinance services are provided to unemployed or low-income individuals because most of those confined in poverty, or who have limited financial resources, do not have enough income to do business with traditional financial institutions. Despite being excluded from banking services, Thus, many poor people look instead to family, friends, and even loan sharks who often charge exorbitant interest rates for help.

(Key Words: Microfinance, Unemployed, financial resources, banking services)

Introduction

Microfinance, also called microcredit, is a type of banking service that is provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial sources. While institutions participating in the area of microfinance most often provide lending, some even provide financial and business education. Ultimately, the object of microfinance is to give needy people an opportunity to become self-reliant.

Microfinance allows people to take loan for small business safely, and in a manner that is consistent with ethical lending practices. Although they happen all around the world, the majority of micro financing operations occur in developing nations, focus on helping women in particular.

Review of Literature:

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.

V. N. (2010) elaborate about an overview of evolution of microfinance for socio economic development. The research findings suggest that the Self Help Groups contribute substantially in pursuing the conditions of the female population up and through that chip in poverty eradication as well. J. and Dorado, S. (2010) explore how new types of hybrid organizations (organizations that combine institutional logics in unprecedented ways) can develop and maintain their hybrid nature in the absence of a “ready-to wear” the

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findings of the comparative study of two pioneering commercial microfinance organization suggest that to be sustainable, new type of hybrid organizations

Tripathi, K. K. and Jain, K. S. (2010) studied to assess the governance issue in the operation of Self Help Groups (SHGs) in rural India in two Districts each of Haryana and Orissa States, varimax analysis of the performance parameters identifies the underlying factors which have an impact on the governance of SHGs and the performance of micro finance ventures. The findings underline the need for an integrated approach to program governance in rural areas which can help in improving the implementation of rural self-employment programs. Davis, I. (2009) stated about an effective legal framework for microfinance and the various aspects of it. The finding shows as countries undertake efforts to establish a framework for microfinance, the Microcredit Regulatory Act of 2006 is an example of an effective law that will provide a favorable legal frame work for microfinance.

Shetty, K. N. and Veerashekarappa (2009) examine the nature and type of new institutions that emerged in the Indian financial system to include the excluded. The study finds that SHG-Bank Linkage and MFI models are the two dominating microfinance approaches in the post financial reforms in India and the microfinance sector in India is growing with the genesis of new institutions on the one hand and on the other hand the NGOs are transforming themselves in to financial institutions and entering the business of microfinance.

Small Industries Development Bank of India (SIDBI)

Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities. The business domain of SIDBI consists of Micro, Small and Medium Enterprises (SMEs), which contribute significantly to the national economy in terms of production, employment and exports. MSME sector is an important pillar of Indian economy as it contributes greatly to the growth of Indian economy with a vast network of around 5.1 crore units, creating employment of about 11.7 crore, manufacturing more than 6,000 products, contributing about 45% to manufacturing output and about 40% of exports in terms of value, about 37% of GDP.

The business strategy of SIDBI is to address the financial and non-financial gaps in MSME eco-system. Financial support to MSMEs is provided by way of (a) Indirect / refinance to banks / Financial Institutions for onward lending to MSMEs and (b) direct finance in the niche areas like risk capital, sustainable finance, receivable financing, service sector financing, etc. As on March 31, 2017, SIDBI has made cumulative disbursements of about ₹4.80 lakh crore benefitting about 350 lakh persons. By this way, SIDBI would be complementing and supplementing efforts of banks/ FIs in meeting diverse credit needs of MSMEs. SIDBI has been working its micro finance through its lucknow office and it is totally centralised.

In order to promote and develop the MSME sector, SIDBI adopts a 'Credit Plus' approach, under which, besides credit, SIDBI supports enterprise development, skill up-gradation, marketing support, cluster development, technology modernisation, etc., in the MSME sector through its promotional and developmental support to MSMEs. These P&D support have benefitted more than 2.3 lakh persons in the MSME sector, created more than 1.5 lakh employment and helped in setting up more than 80,000 units, mostly rural enterprises

Objectives of the study:

1. To study the role & importance of microfinance funded by SIDBI in reference of social responsibility.
2. To study the functions and services offered by SIDBI.
3. To study the role of Government in promotion of micro finance institutions.
4. To study the role played by SIDBI in offering microcredit to MSME.

Research Methodology

The study aimed at analyzing the productivity and utility of micro finance in context of India with special reference to Rajasthan. It has taken into account to access the credit allows to MSME and women entrepreneur to take advantage of economic opportunities.

Hypotheses:

Are policies of SIDBI for microfinance fulfilling their social responsibility towards society?

Is microfinance will prove for upliftment of woman and MSME?

Research Methodology:

- (a) Coverage: The entire credit provided by SIDBI will be taken as universe of the study.
- (b) Data Collection: 50 loan takers will be taken as sample in each case for study.
- (c) Data Analysis: Statistical Techniques like Mean, Standard Deviation, Z test will be used for analysis.

Business started by respondents with the help of financial support.

Table : 1

S.NO.	Name of Business	No. of Respondents
1	Dairy Products	6
2	Agarbatti Items	2
3	Pickles	6
4	Homemade items	4
5	candle making	-
6	Tailoring	11
7	Beauty Parlour	12
8	Atta Chakee	5
9	Garment selling	2

10	Any other	2
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Do you have readymade market for sale of your product? Yes/ No

If yes please specify

Table : 2

a	Local	34
B	Regional	16

Mode of sending loan application.

Table : 3

A	Personally	14
B	with help of anybody	36

After submitting loan application in how many days bank or other financial institution provide you loan?

Table : 4

A	in the first month	4
B	in second month	6
C	in third month	9
D	after third month	31

Annual turnover? (in Rupees)

Table : 5

A	Below 25,000	14
B	25,000 to 50,000	16
C	50,000 to 75,000	9
D	more than 75,000	11

Opinion of Respondents towards other problems.

Table : 6

Problem	Low	Very Low	Moderate
Government Support		6	
N.G.O. Support	14		
Bank Support			21
Political Support			9

Table : 7

Problem	O	E	(O-E)	(O-E) ²	(O-E) ² /E
Government Support	8	12.5	-4.5	20.25	1.62
N.G.O. Support	14	12.5	1.5	2.25	0.18
Bank Support	19	12.5	5.5	30.25	2.42
Political Support	9	12.5	-3.5	12.25	0.98
					$X^2 = 5.2$

The Critical value showed by chi square table is 7.8147 and calculated value is 5.2 it is less than critical value it means bank supported to people for obtaining loan. Policies of SIDBI for microfinance fulfilling their social responsibility towards society and microfinance will prove for upliftment of woman and MSMEs.

Conclusion

It is clear from above analysis that microfinance helps to empower women and MSME sector, thus promoting gender-equity and improving household well-being and SIDBI is playing good role for improving gender inequality and giving easy loans to small women entrepreneurs with the help of self- help groups and NGO's . SIDBI funded loan to start business to low income groups and many people started business of Tailoring and beauty parlor (it is above average of 12.5) at home and doing good job and they find ready market to sell their product. But most of the person got loan with help of self- help groups and it took time more than three months to get it. At initial level people earned Rs. 50,000 and it is clear from the above study that bank supported people as it is above average (12.5) to get finance and live a happy life.

Problems and Limitations

1. Direct approach of people to bank is not available
2. Female entrepreneur doing business at low level such as beauty parlor, atta chaki , tailoring are not willing to fill the questionnaire. It became very hard task to convince them.
3. It is very tough to make it clear that they obtain loan or using their own money.
4. Some of them are illiterate so there is a problem to fill the questionnaire.

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