

An Study on the Performance and Prospects of SIDBI in in Uttar Pradesh

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Abstract

SIDBI was set-up as a subsidiary of IDBI by an act of Parliament in 1989. It commenced operation on 2nd April, 1990. SIDBI has been fairly successful in its promotional and developmental initiatives which helped a large number of entrepreneurs in MSE sector. As an apex Development Financial Institution for MSE sector in the country, it continued with its promotional and developmental initiatives to improve the efficiency and competitiveness of MSE sector. Special emphasis was given on employment generation. Uttar Pradesh is having a considerable share in the country's exports. The state achieved a growth rate of 21.6% during the year 2013-14 which is the 2nd highest in the country. It has a significant sharing in export of handicraft, textile (handloom/power loom), carpets, apparels, leather/leather goods, leather footwear/saddler, food processing (including processed meat), sugar, engineering/automobile hardware, sports goods, gems& jewellery. The state has emerged as a hub for IT & ITES industries including software, BPOs&electronics and rendering these services as exports. The state of U.P is the 4th largest exporter of software products.

Uttar Pradesh is marching steadily towards exports. The state recorded an export turnover of approximately Rs 80,000 crores during 2013-14. The table below gives a list of major export items & locations in the state.

Key Words : MSME, BPO ,ITES.

Introduction

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 and for Co-ordination of the functions of the institutions engaged in similar activities.

SIDBI was established on April 2, 1990. The Charter establishing it, The Small Industries Development Bank of India Act, 1989 envisaged SIDBI to be "the principal financial institution for the promotion, financing and development of industry in the small scale sector and to co-ordinate the functions of the institutions engaged in the promotion and financing or developing industry in the small scale sector and for matters connected therewith or incidental thereto.

The business domain of SIDBI consists of Micro, Small and Medium Enterprises (MSMEs), 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 3 crore units, creating employment of about 7 crore, manufacturing more than 6,000 products, contributing about 45% to

manufacturing output and about 40% of exports, directly and indirectly. In addition, SIDBI's assistance also flows to the service sector including transport, health care, tourism sectors etc. SIDBI retained its position in the top 30 Development Banks of the World in the ranking of The Banker, London, As per the May 2001 issue of The Banker, London, SIDBI ranked 25th both in terms of Capital and Assets.

Micro, Small and Medium Enterprises (MSMEs) in India keep humming, generating jobs, absorbing fresh dropouts from farm labour, diversifying the economic structure. Its contribution is visible in exports as one third part of India's national exports comes from this sector as well as 40 percent of the national output is generated from the manufacturing sector. The numbers of enterprises established are also massive. This can be depicted from the number of registered and unregistered units which stood 5.30 lakh in 1980-81 and to 32.25 lakh in 1999-2000, which increased to 361.76 lakh in 2006-07 (Annual Report, Ministry of MSMEs, 2013-14). The significant role of the sector has also been observed through high absorption of manpower resource. The sector employed 238.73 lakh people in the year 2000-01 which rose to 695.38 lakh people in the year 2009-10, a significant 191 percent growth in employment generation (Srivastaw & Sadhukhan, 2013). It has constantly achieved a higher growth rate than the overall industrial growth rate. According to the data released by 'Centre for Industrial & Economic Research (CIER)', the overall industrial growth rate was 5.70 percent in 2002-03 and 8.56 percent in 2008-09 while in the MSME sector, the growth rate was 8.68 percent in 2002-03 and 13.56 percent in 2008-09. Moreover, the ample varieties of products manufactured by this sector, makes it an essential part in driving the Indian economy and fulfilling the diversified needs of the large masses. The production of the necessary items like garments, footwear, matches, paper, etc. to the most sophisticated items like electronics, cosmetics, engineering products, etc. make available to every section of society

PERFORMANCE OF MSMEs IN UTTAR PRADESH

According to the Department of Infrastructure and Industrial Development, Govt. of Uttar Pradesh, the development of industrial area in Uttar Pradesh has always stood up in front position. The industrial growth rate during the Fifth, Sixth and Seventh five year plans were 9.4 percent, 11.8 percent and 10.9 percent respectively. But at the post liberalization period the industrial growth fell down to some extent. However, with the state's support this challenge was surmounted. During the tenth five year plan, the industrial growth rate stood at 6.6 percent, even at the time of global recession. The targeted industrial growth rate was 10 percent and of the manufacturing sectors, it was 12 percent for 11th Five Year Plan, with the objective to achieve overall 8.5 percent gross sectoral domestic product growth. This requires huge investment in the industrial sector along with up-gradation of existing technology and modernization as well as creation of world class infrastructure. Uttar Pradesh also has been an important seat of development of MSMEs since long. In terms of number of MSMEs established in India, the state ranks 3rd in position. During the 11th five year plan 175000 MSME units were setup with the total investment of Rs 22,000 crores. In year 2012, 33532 MSME units were established with the investment of Rs 3452 crores (Udhyog Bandhu, Govt. of Uttar Pradesh). The major products which

comes under the ambit of MSMEs in UP are: woollen carpets, durries, silk sarees, art brass metal ware and brass products, readymade garments and textiles, leather garments, shoes, agro-products and processed foods, etc. This sector has been playing an important role in providing employment to the unemployed youth of the state and helps in earning foreign exchange. The MSMEs are scattered throughout the state. There are certain places in the state which are known for specific products manufactured by the MSMEs. For example, Banaras is famous for sarees, Bhadohi and Mirzapur for hand-made woollen carpets and durries, Kanpur for leather and cotton textiles, Muradabad for brass metal products, Agra for shoes, etc

Literature Review

Micro, small and medium scale enterprises (MSME) play an important role in economic development. Many developed economy achieved their development through the proper development of this sector. This sector registered a rapid growth in India. Based on high importance of the sector, a large number of literatures are available. A brief review of such literatures is made here.

Dastane (2012)⁴ has made an attempt to examine the performance of the SME sector in India and concluded that SME sector play an important role in employment generation, fixed investment, production and exports.

Gupta (2010)⁷ has examined the strategic importance of SME in economic development and has concluded that the biggest achievement of this sector lies in its capability to generate large employment next to agriculture.

Sahdeo Pande (1990) observed that the SSI units suffer from innumerable problems that scuttle their growth. Unhealthy rivalry with large-scale industries coupled with poor financial support aggravates their problem. To ensure quick development of these industries their problems are to be sorted out urgently. The new industrial policy will go a long way in salvaging these industries from rot. In addition, SSIs face a number of other problems like non-availability of cheap power, unchanging & irresponsible production parties, burden of local taxes & interference by local politicians. He suggests that SSI required a comprehensive change in the policy of Government to make them more efficient & productive.

Objective of the Study

The main objective of the proposed study is to look at the issues of the The Performance of SIDBI in the development of MSME in Uttar Pradesh. The detailed objectives are follows

- (i) To analyse the impact of SIDBI finance on the Production of MSME in Uttar Pradesh
- (ii) To see the impact on different components of export and import items.
- (iii) To evaluate the impact on Employment Generation by MSME in Uttar Pradesh.

COLLECTION OF DATA

The study will be fully based on secondary data which will be collected from:

- Export Import Data Bank, Department of Commerce, Ministry of Commerce & Industry, Govt. of India.
- Directorate General of Commercial Intelligence and Statistics, Ministry of Commerce and Industry, Govt. of India.
- Ministry of Finance.
- Reserve Bank of India.
- RIS.
- ADB Estimates.
- WTO World Trade Statistics.
- UNCTAD World Trade Statistics.
- CIA World Factbook (January 2012).
- OECD Employment and Labour Market Statistics.
- Ministry Of Commerce, People's Republic of China.

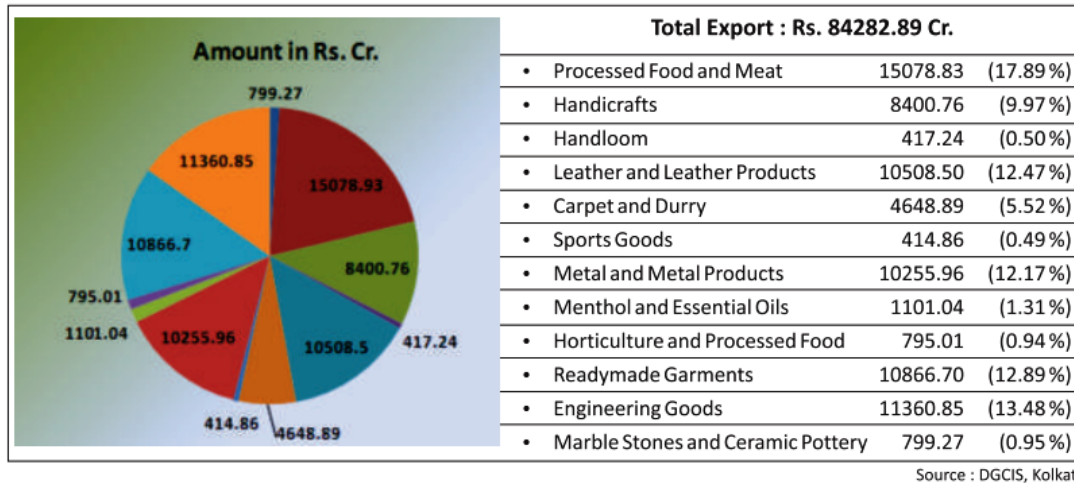
And several other research institutes like IIFT, Central Statistical Organisation, etc.

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The major developmental programmes are as under:

1. Rural Industries Programme.
2. National Programme for Rural Industrialization.
3. Mahila Vikas Nidhi.
4. Entrepreneurship Development Programme.
5. Human Resource Development Programme.
6. Cluster Development Programme.
7. Environment Management.
8. Marketing initiatives.
9. Support to Industry Organization etc. During last 18 years, SIDBI has introduced a series of schemes for the development of MSE sector. Starting as a re-financing Organization, the Bank has entered into direct lending and has supported credit requirements of the sector through schemes like; Bill discounting, Export Finance, Support for Technology development and Modernization of MSMEs..

Sectorwise Exports from Uttar Pradesh Year 2016-17



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Major Export Items & Locations

1. Carpet, Durries, Other Floor Coverings Sant Ravi Das Nagar, Mirzapur, Varanasi, Shahjhanpur, Sitapur, Meerut, Agra, Hathras.
2. Metal Artware Moradabad, Amroha, Aligarh.
3. Wooden Handicrafts & Bamboo Saharanpur, Bareilly, Varanasi.
4. Glass Artware Firozabad, Moradabad.
5. Ceramic, Pottery and Terracota Khurja, Bulandsahr, Azamgarh, Gorakhpur, Basti and Lucknow.
6. Gems & Jewellery Meerut.
7. Marble & Stone Craft Agra, Varanasi, Mathura.
8. Black Pottery Mau, Chucnar, Azamgarh.
9. Chikan Craft Lucknow & surrounding districts
10. Zari Zardozi Bareilly, Lucknow, Farrukhabad, Hardoi, Unnao, Varanasi.

11. Leather & Leather Goods Agra, Kanpur, Unnao
12. Locks & Hardware Aligarh
13. Scissors Meerut
14. Rice, Agro and Food Analyzed Pilibhit, Bareilly, Saharanapur, Allahabad, Kasganj, Etah, Rampur, Mathura.
15. Software, Electronics, Automobiles, Chemicals G.B. Nagar, Lucknow, Ghaziabad.
16. Herbal Perfumes & Essence Kannauj
17. Medical Equipments Shahjahanpur, Gorakhpur
18. Frozen Meat/Buffalo Meat Moradabad, Rampur, Aligarh, Bareilly, Kanpur, Unnao, Barabanki.
19. Sports Goods Meerut, Ghaizabad.
20. Plywood Moradabad

To empower the first generation entrepreneurs for setting up of Micro Enterprises across the country both in rural and urban areas, Govt. of India launched a new scheme viz; Prime Minister Employment Generation Programme (PMEGP) on 26.09.2008. Khadi & Village Industries Commission (KVIC) has been designated as the Nodal Agency at national level for implementation of PMEGP and also at the field level. The programme is implemented by KVIC, State KVIB and District Industries Centres (DICs) under the jurisdiction of respective State Government. In the scheme, 10% of the project cost will be the own contribution of the beneficiaries for general category and 5% for weaker section beneficiaries and 15% subsidy in urban area and 25% in rural area will be provided by Government for general candidates. 25% subsidy in urban area and 35% in rural areas will be provided by State Govt. for SC/ST/OBC/Minority/Women/Ex-Servicemen/ Physically Handicapped, North East Region, Hill and Border areas etc. Candidates shall be provided a maximum project cost up to Rs. 25.00 lakhs for manufacturing sector and up to Rs. 10.00 lakhs for service sector.

Industries	No. of Units	Investment (INR in Cr)	Employment
Food Products	52,963	5,231.30	2,93,505
Beverages, Toba & Toba Product	563	108.73	3,043
Cotton Textiles	8,004	675.44	49,274
Wool, Silk & Synthetic Fibre Textile	7,250	670.64	52,871
Jute, Hemp & Mesta Textiles	1,352	168.01	4,810
Hosiery & Garments	24,359	1,967.29	1,84,084
Wood Products	7,692	810.53	44,467
Paper Products & Printing	3,643	786.99	26,344
Leather Products	4,991	982.22	62,352
Rubber & Plastic Products	3,144	1,266.93	35,052
Chemical & Chemical Products	3,174	910.39	33,645
Non-Metallic Mineral Products	2,103	477.80	19,269
Basic Metal Industries	1,673	420.17	14,446
Metal Products	13,270	2,076.75	1,05,221
Machinery & Part except Electrical	3,987	1,141.20	51,186
Electrical Machinery & Apparatus	3,179	825.88	40,068
Transport Equipment & Parts	361	692.05	3,463
Miscellaneous Mfg.	1,59,774	14,566.38	7,81,510
Repairing & Servicing Industries	2,59,041	14,296.20	10,20,415
TOTAL	5,60,523	4,80,75.01	28,25,025

Major sub-sectors in the State {2013-14 to 2017-18 (up to Sep, 2017)}

Conclusions and Findings

It is found that the SIDBI and other financial institutions both are following strict procedures for clearing the documents for financing. The study also reveals that the behaviour of officials of SIDBI is less satisfactory as compare to the other financial institutions. Further it is observed that the mortgage requirement of SIDBI is more complicated in comparison to other financial institutions. It is also seen that the sanctioned loan limit of SIDBI is less attractive as compared to other institutions. It is observed that the SIDBI is taking more time for approving finance schemes as compare to the other financial institutions.

It is found that the SIDBI is adopting the more liberal policy in legal proceedings for recovery from defaulters. The study also reveals that the repayment schedule of SIDBI for defaulters is more affordable as compare to other financial institutions. It is also examined that the SIDBI is providing better expertise solutions to the defaulters of funds as compare to other financial institutions.

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