Saurashtra University

Re – Accredited Grade 'B' by NAAC
(CGPA 2.93)

Savalia, Jaydeep D., 2006, *Role of Small Industries Development Bank of India (SIDBI) in Industrial Development in Gujarat State* thesis PhD, Saurashtra University

ROLE OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI) IN INDUSTRIAL DEVELOPMENT IN GUJARAT STATE

(WITH SPECIAL REFERENCE TO SMALL SCALE INDUSTRIES)

A THESIS
SUBMITTED TO THE

SAURASHTRA UNIVERSITY

FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

UNDER THE
FACULTY OF COMMERCE

Submitted By

JAYDEEP D . SAVALIA
Lecturer in Commerce
K.K.PAREKH COMMERCE & B.B.A. COLLEGE, AMRELI

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CERTIFICATE

It is certified that the thesis entitled *"ROLE OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI) IN INDUSTRIAL DEVELOPMENT IN GUJARAT STATE (WITH SPECIAL REFERENCE TO SMALL SCALE INDUSTRIES)"* is a record of research work done by Mr.J.D.Savalia during the period of study under my supervision and that the thesis has not formed the basis for the award of any degree, diploma, associateship, fellowship or similar title to the candidate and that the thesis represents independent work on the part of the candidate.

Dr. Sanjay J. Bhayani

Research Supervisor

Date:

DECLARATION

I declare that the Ph.D thesis entitled *"ROLE OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI) IN INDUSTRIAL DEVELOPMENT IN GUJARAT STATE (WITH SPECIAL REFERENCE TO SMALL SCALE INDUSTRIES)"* is a record of independent research work carried out by me under the supervision and guidance of Dr. Sanjay Bhayani Associate Professor, Department of Business Management, (MBA Programme), Saurashtra University, Rajkot. This has not been previously submitted for the award of any diploma, degree, associateship or other similar title.

Jaydeep D. Savalia

ॐ

श्धजय श्रीराम श्ध

Dedicated
to

My Father Dr. Prof. Dhirajlal L. Savalia

&

Mother Smt.Leelaben D.Savalia

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Preface

The SIDBI banks being an important nerve of modern organized society can play an important role in the SSIs transformation. They provide the in frastructure on which agriculture; industries and trade of nation depend. They can allocate available resources by mobilizing deposits and advancing credit into the best possible uses according to national priorities. By opening branches in un-banked and under-banked areas, the banks can spread magnetization, thereby introducing a larger market economy in place of natural economy. By providing loans to agriculture and small-scale sector they can solve the acute problems of unemployment and under employment. Hence banks can rightly be called the nation's agents of economic development. But in developing countries like India the role of SIDBI is not confined to accepting deposits and advancing loans. They also accept, the accelerating flow of credit in accordance with the needs of SSI development. They have shifted from restricted old conservative policies to modern banking with lots of new techniques, which brings dynamism and innovation in their functioning.

The Government of India and the State government have been pursuing a policy of protecting and promoting small-scale industries for a long time. Small-scale industries have been accorded pride of place in the planned industrialisation process of the Indian economy, which is characterized by among other factors low productivity in the SSIs abundant labour and scarcity of capital. The comparatively easy dispersal of small-scale industries in the rural and economically backward areas has an added advantage of increasing incomes in these places. They can contribute to production and generate employment absorbing relatively a smaller amount of capital ensure a more equitable distribution of income and facilitate effective mobilization of capital and skills which would otherwise remain unutilized.

The first industrial estate was set up at Rajkot in Gujarat in September 1955 and the first shed was allotted in December 1955.The industrial estate programme combined all the important schemes of assistance to small enterprises and provided a tool for their integrated development. The primary objective of the programme was rapid development of small-scale industries. A secondary objective has been the dispersal of industries in rural and underdeveloped areas to raise their levels of industrialisation. With the progress of the scheme additional objectives like relieving the cities of congestion and overcrowding slum clearance promotion of small-scale industrial units as ancillaries to large industrial units and provision of opportunities of work for students in universities and polytechnics in the pattern of “earn while you learn” were added to the programme.

The Government of India felt that in spite of various incentives provided for backward areas by both the central and state governments industrial growth in backward areas has not been satisfactory mainly because of inadequacy of infrastructure. It therefore felt the need to have an institutional framework for expeditious improvement of existing infrastructural facilities and creation of new infrastructural facilities where there are not any. The small-scale sector has also proved capable in absorption of latest advanced technology. Various policies and programmes including those which are to be introduced will enable this sector to be more productive more efficient and more competitive. The small-scale sector today has to face competition not only from multinationals but also from large domestic producers. The WTO regulation and removal of Quantitative Restriction have further mitigated the problems of small-scale Industries. The need of the hour is Technology upgradation.

The research work has been divided into eight chapters. The first chapter is devoted for the “Introduction” Role of SIDBI in SSIs Development Special reference to SSIs Gujarat state. Small Industries Development Bank of India - “An Over View” in chapter two. A brief analysis of Research Design is given in the third chapter. The fourth chapter deals with the SSIs Development Special reference to SSIs in Gujarat state. A brief analysis Performance of SIDBI in Industrial Development of SSIs depicted in fifth chapter. Micro Analysis of Promotional and Developmental Activities of SIDBI the sixth chapter. Analysis of Financial Position SIDBI is given in seventh chapter. The impact of Conclusions and Suggestions is given in eight chapter. Finally Bibliography and Journals, News Papers, Reports and Web Sites are mentioned in this work.

Acknowledgement

The present work has been completed with the active assistance and guidance, of various agencies. Many professors, teachers, friends, relatives, officers and professionals have rendered their invaluable help at various stages. Although it would not be possible to mention all names of those who rendered their valuable and generous help in their own way, but it would be ungrateful, if I, do not acknowledge those, without whose assistance it wouldn't have been possible to conduct this study. I owe due apologies to all those, whose contribution I have not been able to recount. However, I cannot afford to mention a few.

It is my profound privilege and immense debt of gratitude to acknowledge the guidance provided by **Dr. SANJAY J.BHAYANI** It is primarily his encouragement and guidance, which have been a source of deep and heartfelt inspiration to me.

I express my sincere thanks to **Dr. P. L. CHAUHAN** (Professor & Head, Department of Business Management) **Dr. D. C. GOHIL** (Head, Department of Commerce),**Dr. H. M. SHAH**, Principal and **Prof. M. M. PATEL** (H.o.D, Comm.Dep.), K.K. Parekh Commerce College, Amreli. **Dr. G. C. BHIMANI, Dr. S. J. PARMAR** and other faculty members of Department of business management and Department of commerce and Department of Economics, Saurastra University Rajkot.

It is matter of utmost pleasure to express my indebtedness and deep sense of gratitude to various department officials who extended their maximum help to supply the relevant information.**Dr. SAILENDRA NARAIN**, Managing Director, is the Chief Executive Officer.**Mr. P. B. NIMBALKAR** and **Mr. G. K. SAXENA** are Executive Directors.**Mr. D. S. DESHPANDE** Assistant General Manager of SIDBI. I am thankful for providing the necessary information for the present work, which became available on account of the most selfless co-operation of library staff of Saurastra University Rajkot, and **Mr. R. J. VAKOTAR** librarian of K.K.Parekh Commerce College Library - Amreli.

I am grateful to my parents,**Dr. Prof. D. L. SAVALIA** and **Mrs. L. D. SAVALIA** and my sister **Miss. B. D. SAVALIA** who encouraged and inspired me at every stage of present work and providing immense love, affection, care, physical, psychological and moral and support .I am also thankful to my friends and colleagues who kept me encouraging in accomplishing this work.

I wish to express my heart felt thanks to my wife **Mrs. KIRAN SAVALIA** for selfless enthusiasm, unfailing support and constructive criticism without which the accomplishment of this research work would have been much more difficult, my daughter **DRASHTI** and my son **DARSHIT** & **RUTVIK** showed great patience and forbearance which helped me in my endeavourer to accomplish of this research work.

Jaydeep D. Savalia

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LIST OF ABBREVIATIONS

Abbreviations Nos.	Abbreviations
ADS	American Depository Shares
AIDB	All India Development Banks
AIFI	All India Financial Institutions
APCTT	Asia Pacific Centre for Transfer of Technology
ACD	Agricultural Credit Department
ACIP	Asian Country Investment Partners
ARDC	Agricultural and Rural Development Corporation
BCG	Boston Consulting Group
BRS-E	Bills Rediscounting Scheme – Equipment
BRS-I	Bills Rediscounting Scheme – Inland
CGB	Capital Gains Bond
CGTSI	Credit Guarantee Fund Trust for Small Industries
CLCS	Credit Linked Capital Subsidy
CARL	Credit Analysis and Research Limited
CCIL	Clearing Corporation of India Limited
CMSL	Capital Market Services Limited
CLCSS	Credit Linked Capital Subsidy Scheme
CBs	Commercial Banks sector
CERC	Central Electricity Regulatory Commission
CFSF	Credit and Financial Services Fund
CGTSI	Credit Guarantee Fund Trust for Small Industries
CLS	Composite Loan Scheme
CRISIL	Credit Rating Information Services of India Limited
CWDC	Commercial Wealth Development Corporation
CED	Centre for Entrepreneurship Develpment
CIPET	Central Institute of Plastic Engineering & Technology
DDS - E	Direct Discounting Scheme – Equipment
DDS-C	Direct Discounting Scheme – Components
DFS	Domestic Factoring for Scheme
DFI	Development Financial Institutions
DCCB	District Central Cooperative Banks
DIC	District Industries Centers
DIDC	District Industries Development Center
EDII	Entrepreneurship Development Institute of India
ECIP	European Community Investment Partners
EDP	Entrepreneurship Development Programme

EFS	Equipment Finance Scheme
EXIM Bank	Export-Import Bank of India
FCTL	Foreign Currency Term Loan Scheme
FDS	Fixed Deposit Scheme
FLC	Opening of Foreign Letters of Credit
FTFS	Fast Track Financing Scheme
FASII	Federation of Association of Small Industries of India
FDI	Foreign Direct Investments
GIDC	Gujarat Industrial Development Corporation
GIPB	Gujarat Industrial Promotion Board
GIS	Geographical Information System
GSFC	Gujarat State Financial Corporation
GIC	General Insurance Corporation
GRS	General Refinance Scheme
IBRD	International Bank for Reconstruction and Development
ICICI	Industrial Credit and Investment Corporation of India
IDBI	Industrial Development Bank of India
IDFC	Infrastructure Development Finance Company
IFCI	Industrial Financial Corporation of India Limited
IIBI	Industrial Investment Bank of India
IMF	International Monetary Fund
IPO	Initial Public Offer
IRBI	Industrial Reconstruction Bank of India
ISIL	Investor Services of India Limited
IDS	Invoice Discounting for Scheme
IID	Industrial Infrastructure of Development
IL&FS	Infrastructure Leasing and Financial Services
IRDA	Insurance Regulatory and Development Authority
IED	Institutes of Entrepreneurship Development
IEDF	Industrial Estate Development Fund
KCCS	Kisan Credit Card Scheme
LOCFC	Line Of Credit Foreign Currency
LoC	Line of Credit
LIC	Life Insurance Corporation
MDP	Management Development Programmes
MFW	Marketing Fund for Women
MOU	Memorandums of Understanding
MUM	Mahila Udyam Mitra
MUN	Mahila Udyam Nidhi
MVN	Mahila Vikas Nidhi
MIT	Ministry of Information Technology
MFI	Micro Finance Institutions
MFIs	Micro-Finance Institutional sector
MSSL	Mahindra Shubhlabh Services Limited
NFSIT	National Fund for Software and Information Technology

NBFC	Non-Banking Finance Companies
NPA	Non-Performing Assets
NSDL	National Securities Depository Limited
NSE	National Stock Exchange
NABARD	National Bank for Agriculture and Rural Development
NEFs	National Equity Fund scheme
NEDFI	North-Eastern Development Financial Institutions
NEERI	National Environment Engineering Research Institute
NGOs	Non-Government Organizations
NSIC	National Small Industries Corporation
PCFC	Pre-shipment Credit in Foreign Currency
PFS	Project Finance Scheme
PE	Private Equity
PLI	Primary Lending Institutions
PWCS	Primary Weavers Cooperative Societies
QEM	Quality and Enviornment Management
RIP	Rural Industries Programme
RSR	Refinance Scheme for Rehabilitation
RTUF	Refinance Technology Development and Modernization Fund.
RIT	Rural Institute Technology
ROCE	Return On net Capital Employed
RFA	Revolving Fund Assistance
RIDF	Rural Infrastructure Development Fund
RPCC	Rural Planning and Credit Cell
RPCF	Rural Promotion Corpus Fund
RRB	Regional Rural Banks
RBI	Reserve Bank of India
RCI	Refinance Corporation for Industry
STUP	Skill cum Technology Upgradation Programme
SWS	Single Window Scheme
SHCIL	Stock Holding Corporation of India Limited
SIDBI	Small Industrial Development Bank of India
SIDC	State Industrial Development Corporation
SSIDC	State Small Industries Development Corporation
SSIs	Small Scale Industries Secter
SRTO	Small Road Transport Operators
STM	Scheme for Tannery Modernization
SEMFEX	Self employment for Ex-Serviceman Scheme
SFC	State Financial Corporation
SFMC	SIDBI Foundation for Micro Credit
SEBI	Securities Exchange Board of India
SFI	Specialized Financial Institutions
SADFC	State Agricultural Development Finance Companies
SCARB	State Cooperative Agricultural and Rural Development Banks
SCB	State Cooperative Banks

SFMC	SIDBI Foundation for Micro Credit
SHDC	State Handloom Development Corporations
SHG	Self-Help Groups
SME	Small & Medium Enterprises
SFMC	SIDBI Foundation for Micro Credit
SIMAP	Small Industries Management Programme
SLIIC	State Level Inter Institutional Committee
STUP	Skill-cum-Technology Upgradation Programme
TDMF	Technology Development and Modernisation Fund
TUDP	Technology Up gradation Development Programmes
TUFS	Technology Up gradation Fund Scheme
TPC	Training-cum-Production Centres
TDMFS	Technology Development and Modernization Fund Scheme
UTI	Unit Trust of India
VC	Venture Capital
WCTL	Working Capital Term Loan

CHAPTER – 1

INTRODUCTION

1.1 INTRODUCTION: -

The economic development of any country depends on the extent to which its financial system efficiently and effectively mobilizes and allocates resources. There are a number of banks and financial institutions that perform this function; one of them is the development bank. Development banks are unique financial institutions that perform the special task of fostering the development of a nation, generally not undertaken by other banks.

Development banks are financial agencies that provide medium and long-term financial assistance and act as catalytic agents in promoting balanced development of the country. They are engaged in promotion and development of industry, agriculture, and other key sector. They also provide development services that can aid in the accelerated growth of an economy.

The objectives of development banks are: -

1) To serve as an agent of development in various sectors, viz. industry, agriculture, and international trade
2) To accelerate the growth of the economy
3) To allocate resources to high priority areas
4) To foster rapid industrialization, particularly in the private sector, so as to provide employment
5) Opportunities as well as higher production
6) To developement entrepreneurial skills
7) To finance housing, small scale industries, infrastructure, and social utilities

In addition, they are assigned a special role in: -

1) Planning, promoting, and developing industries to fill the gaps in industrial sector
2) Coordinating the working of institutions engaged in financing, promoting or developing industries, agriculture, or trade

3) Rendering promotional services such as discovering project ideas, undertaking feasibility studies, and providing technical, financial, and managerial assistance for the implementation of projects.

EVOLUTION OF DEVELOPMENT BANKS: -

The concept of development banking originated during the post Second World War period. Many countries of Europe were in the stage of industrial development and special financial institutions known as development banks were set up to foster industrial growth. In the US, development finance institutions came into existence for special purpose such as economic rehabilitation and filling gaps in the traditional financing pattern. Not only developed countries, but several underdeveloped countries in Asia, Africa, and Latin America established special financial institution to hasten the pace of industrialization and growth.

The International Bank for Reconstruction and Development (IBRD) known as the World Bank and the International Monetary Fund (IMF) are examples of development banks at the international level. The major objective of the World Bank is to promote world development and perform the task of transfer of enormous financial and technical resources from the developed to developing nations. The IMF performs a special function of providing financial assistance to private sector projects in developing countries.

1.2 DEVELOPMENT FINANCIAL INSTITUTIONS IN INDIA: -

The need for development financial institutions was felt very strongly immediately after India attained independence. The country needed a strong capital goods sector to support and accelerate the pace of industrialization. The existing industries required long-term funds for their reconstruction, modernization, expansion and diversification programmes while the new industries required enormous investment for setting up gigantic projects in the capital goods sector. However, there were gaps in the banking system and capital markets, which needed to be filled to meet this enormous requirement of funds.

1) Commercial banks had traditionally confined themselves to financing working capital requirement of trade and industry and abstained from supplying long-term finance.
2) The managing agency house, which had served as important adjuncts to the capital market, showed their apathy to investment in risky ventures.
3) Several malpractices, such as misuse of funds, excess speculation, and manipulations were unearthed. Owing to this, the investors were not interested in investing in the capital market.
4) There were a limited number of issue houses and underwriting firms that sponsored security issues.

Hence, to fill these gaps, a new institutional machinery was devised-the setting up of special financial institutions, which would provide the necessary financial resources and know-how so as to foster the industrial growth of the country.

The first step towards building up a structure of development financial institutions was taken in 1948 by establishing the Industrial Financial Corporation of India Limited (IFCI). This institution was set up by an Act of parliament with a view to providing medium- and ling-term credit to units in the corporate sector and industrial concerns.

In view of the immensity of the task and vast size of the country, it was not possible for a single institution to cater to the financial needs of small industries spread in different states. Hence, the necessity for setting up regional development banks to cater to the needs of small and medium enterprises was recognized. Accordingly the State Financial Corporation Act was passed in 1951 for setting up State Financial Corporation (SFCs) in different states. By 1955-56, 12 SFCs were set up and by 1967-68, all the 18 SFCs now in operation came into existence. SFCs extend financial assistance to small enterprises.

Even as the SFCs were being setup, a new corporation was established in 1955 at all India level known as the National Small Industries Corporation (NSIC) to extend support to small industries. The NSIC is a fully government owned corporation and is not primarily a financing institution. It helps Small Scale Industries Secter (SSIs) through various promotional activities, such as assistance in securing orders, marketing the products of SSIs, arranging for the supply of machinery, and training of industrial workers.

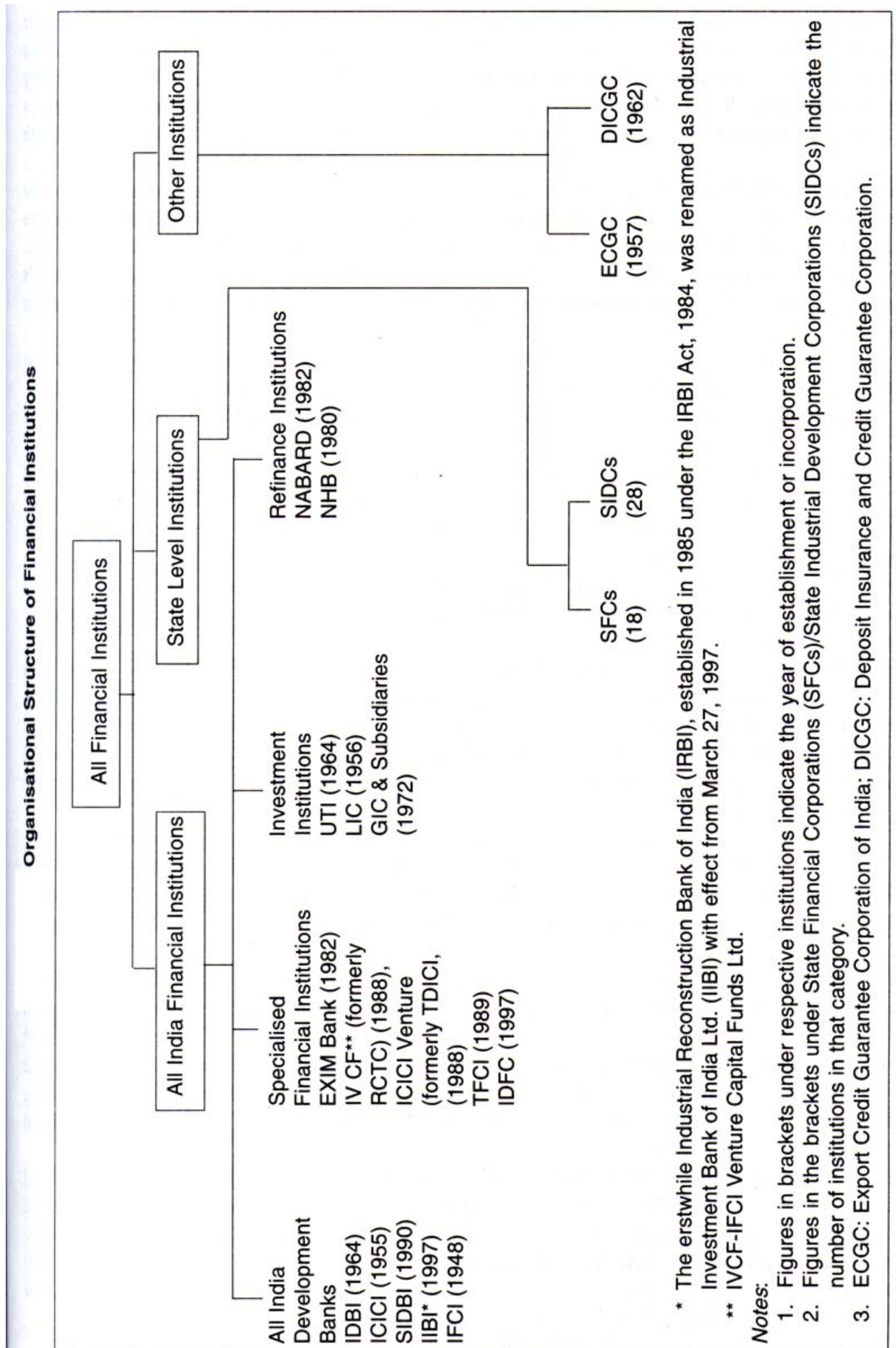

Chart: -1.1- Organlsational Structure of Financial Institutions

The above institutions had kept themselves away from the underwriting and investment business as these were considered to be risky. Due to the absence of underwriting facilities, new entrepreneurs and small units could not risky. Due to the absence of underwriting facilities, new entrepreneurs and small units could not raise equity capital nor could they get loan assistance owing to this weak financial position. To fill this gap, the Industrial Credit and Investment Corporation of India Limited (ICICI) was set up in January 1955 as a joint stock company with support from the Government of India, the World Bank, the Commonwealth Development Finance Corporation, and other foreign institutions. The ICICI was organized as a wholly privately owned institution; it started its operation as an issuing-cum-lending institution. It provides term loans and takes as active part in the underwriting of a direct investment in the shares of industrial units.

In 1958, another institution, known as the Refinance Corporation for Industry (RCI) was set up by the Reserve Bank of India (RBI), the Life Insurance Corporation of India, (LIC), and commercial banks with a view to providing refinance to commercial banks and subsequently to SFCs against term loans granted by them to industrial concerns in the private sector. When the Industrial Development Bank of India (IDBI) was set up in 1964 as the central coordinating agency in the field of industrial finance, the RCI was merged with it.

At the state level, another type of institution, namely, the State Industrial Development Corporation (SIDC) was established in the sixties to promote medium and large-scale industrial units in the respective states. The SIDSs promoted a number of projects in the joint sector and assisted in setting up industrial units. In recognition of the crucial role played by them in the promotion of industries in different states, the SIDCs were made eligible for IDBI refinance facilities in 1976. Thus, they became an integral part of the development banking system of country.

The State Small Industries Development Corporation (SSIDCs) was also established to cater to the requirements of the industry at the state level. They helped in setting up and managing industrial estates, supplying of raw materials, running common service facilities, and supplying machinery on hire-purchase basis.

By the early sixties, a plethora of financial corporation catering to the financial needs of a variety of industries has come into existence. However, the need for an effective mechanism to coordinate and integrate the activities of the different financial institutions was increasingly felt. Furthermore, many gigantic projects of national importance were held up, as these financial institutions were not able to supply the necessary capital in view of their own limited resources. Hence, the establishment of a financial institution with a substantially large amount of capital resource and capable of functioning independently, unhindered by statutory rigidities, became inevitable.

The Industrial Development Bank of India (IDBI) was set up in 1964 as an apex institution to establish have inter institutional cooperation of effectively meet the changing needs of the industrial structure. IDBI was set up as a wholly owned subsidiary of the Reserve Bank if India. The IFCI became a subsidiary of the IDBI so that it might play an enlarged role. In February 1976, the IDBI was restructured and separated from the control of the Reserve Bank of India.

An important future of industrial finance in the country is the participation of major investment institution in consortium with other all India financial institutions. The Unit Trust of India (UTI), established in 1964, the Life Insurance Corporation of India (LIC), established in 1956, and the General Insurance Corporation if India (GIC), established in 1973, work closely with other all India financial institutions to meet the financial requirements of the industrial sector.

Specialized institution were also created to the needs of the rehabilitation of sick industrial units, export finance, and agriculture and rural development. In 1971, the Industrial Reconstruction Corporation of India Limited (IRCI) was set up for the rehabilitation of sick units. In January 1982, the Export-Import Bank of India (EXIM Bank) was set up. The export finance operations of the IDBI were transferred to the EXIM Bank with effect from March 1, 1982. With a view to strengthening the institutional network catering to the credit needs of the agricultural and rural sectors, the National Bank for Agriculture and Rural Development (NABARD) was set up in July 1982.

The country is being served by 57, financial institution, comprising 11 institutions at the national level and 46 institutions at the state level. These financial institutions have a wide network of branches and are supported by technical consultancy organization with IDBI acting as the apex institution for coordinating their diverse financing and promotional activities. Their strategies, policies, and industrial promotional efforts sub serve the national objectives of rapid industrial growth, balanced regional development, creation of new class entrepreneurs, and providing self-employment opportunities.

The national level institutions, known as All India Financial Institutions (AIFIs), companies six All India development banks, (AIDBs), two Specialized financial institutions (SFIs,) and three investment institutions. The AIDBs, are Industrial Development Corporation of India Limited, (ICICI), Industrial Investment Bank of India Limited (IIBI), Infrastructure Development Finance Company Limited (IDFC) and Small Industries Development Bank of India (SIDBI).

All the state level there is 18 State Financial Corporation (SFCs) and 28 State Industrial Development Corporation (SIDCs).

The specialized Financial Institution (SFIs) comprise Export-Import Bank of India (EXIM Bank) and National Bank of Agriculture and Rural Development (NABARD). Hitherto, SFIs included three institutions namely, IFCI Venture Capital Funds Ltd, ICICI Venture Funds Management Company Limited and Tourism Finance Corporation of India Limited. However, due to the tiny nature of their operation, these institutions have been excluded from the category of SFIs.

The investment institutions are Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), and Unit Trust of India (UTI).

1.3 CHANGING ROLE OF DEVELOPMENT FINANCIAL INSTITUTIONS: -

The financial institutions were functioning in a highly regulated regime upto 1991. The DFIs were mostly engaged in consortium lending and they offered similar services at uniform prices. In the administrated interest rate regime, the cost of borrowings of DFIs was substantially lower than the return of financing (lending). Long-term lending involves uncertainties and to handle this, the DFIs used to get concessional funds upto the nineties. The Reserve Bank and the Central Government used to finance these institutions, by subscribing to the share capital, allowing them to issue the government guaranteed bonds and extending long-term loans at concessional rates. However, this concessional lending was phased out in the 'nineties' with the initiation of financial sector reforms. Interest rates were deregulated and the facility by issuing bonds eligible for SLR investments was withdrawn. Now, these financial institutions have to rely on equity and debt markets for financing their needs. These DFIs have resorted to market-based financing by floating a number of innovative debt and equity issues. They also raise resources by way of term deposits, certificates of deposits and borrowings from the term money market within the umbrella limit fixed by the Reserve Bank in terms of net owned funds. More stringent provisioning norms have come into operation. Many of the DFIs including IDBI have lost their tax-exempt status.

Moreover, with deregulation, the distinction between different segments of financial intermediaries has blurred. The commercial banks are now financing the medium- and long-term capital needs of the corporate sector and the DFIs have started extending short-term/working capital finance. This has led to a stiff competition between banks and DFIs. As a result, the focus of DFIs has shifted from the purpose for which they were set up.

With globalization and liberalization, the financing requirements of the corporate sector has undergone a tremendous change. Many foreign players entered into strategic alliance with Indian firms. There was an increase in research and development activities as well as the diversification plans of firms. Investment in technology and infrastructure became crucial. With a view to taking advantage of the new opportunities, the financial institutions started offering a wide range of new products and services. These DFIs set up several subsidiaries\associate institutions which offer various services such as commercial banking, consumer finance, investor and custodial services, broking, venture capital finance, infrastructure financing, registrar and transfer services and e-commerce.

DFIs are in the process of converting themselves into universal banks. ICICI has become a universal bank by a reverse merger with its subsidiary ICICI Bank. IDBI is in the process of transforming itself into a universal bank. The Reserve Bank of India has issued guidelines for DFIs to become commercial banks. These guidelines are the same as for commercial banks under the Banking Regulation Act. It is envisaged thus there will be only two types of financial intermediaries in future, that is, commercial banks and Non-banking finance companies (NBFCs).

UNIVERSAL BANKING: -

Universal banking is a one-stop shop of financial products and services. Universal banks provide a complete range of corporate financial solutions under one roof-everything from term finance, working capital project advisory services, and treasury consultancy. Universal banking encompasses commercial banking and investment banking, including investment in equities and project finance. It refers to a bank undertaking of types of business-retail, wholesale, merchant, private, and others under one organizational roof. It means a complete breakdown of barriers between different categories of financial intermediaries such as commercial banks, FIs and NBFCs.

Universal banking helps the service provider to build up long-term relationships with the client by catering to his different needs. The client also benefits as he gets a whole range of services at low cost under one roof. Globally, banks such as Deutsche Bank, Citibank, and ING Bank, are universal banks.

In India, the trend towards universal banking began when financial institutions were allowed to finance working capital requirements and banks started term financing. Their trend got a momentum with the report of Narasimham Committee II, suggesting that development finance institutions, should convert ultimately into commercial banks or non-bank finance companies (NBFCs). The Khan Committee, which was set up by RBI to examine the harmonization of business of banks and development financial institution, endorsed this conversion. It was of the view that DFIs should be allowed to become banks at the earliest. The committee recommended a gradual move towards universal banking and an enabling framework for this purpose should be evolved. In January 1999, the Reserve Bank of India (RBI) released a "Discussion Paper" for wider public debate on universal banking. The feedback indicated the desirability of universal banking from the point of view of efficiency of resource use. In the mid-term review of monetary and credit policy (1999-2000), the RBI acknowledged that the principle of universal banking "is a desirable goal". In April 2001 it set out the operational and regulatory aspects of conversion of DFIs into universal banks.

ICICI was the first financial institution to convert itself into a truly universal bank. The concept of universal banking provides the financial institutions an access to the retail market wherein high margins are involved. This concept is slowly gaining popularity among banks as the interest spread has squeezed in the fast few years and Non-performing assets (NPAs) have increased in banking activity. A foray into universal banking would help the banks to diversify beyond the traditional portfolio of loans and investment and extend to treasury, capital market operations, infrastructure finance, and retail lending, and advisory services.

1.4 INDUSTRIAL FINANCE CORPORATION OF INDIA LIMITED: -

Industrial Finance Corporation of India Limited (IFCI), India's first DFI, was established on July1, 1948 under the Industrial Finance Corporation Act as a statutory corporation. It was set up to provide institutional credit to medium and large industries.

With a view to imparting greater operational flexibility and enhancing its ability to respond to the needs of the changing financial system, IFCI was converted from a statutory corporation to a public limited company. It was the first institution in the financial sector to be converted into a public limited company on July 1, 1993. IFCI is a board-run company and its directors are elected by shareholders.

IFCI'S principal activities can be categorized into financing and promotional activities.

Financing Activities: -

IFCI'S financing operations include project financing, financial service and corporate advisory services.

(1) **Project Financing: -** Project financing is the core business of IFCI. The main objective behind the incorporation of the DFI was to fund green-field projects. Financial assistance is provided by way of medium/long-term credit for setting up new projects, expansion/diversification schemes, modernization balancing schemes of existing projects.

Financial assistance is provided by way of rupee loans, loans in foreign currencies, underwriting of direct subscription to shares and debentures, providing guarantee for deferred payments and loans.

(2) **Financial Services: -** IFCI provides tailor made assistance to meet specific needs of corporate through specifically designed schemes. The various fund-based products offered are equipment finance, equipment credit, equipment leasing, supplier's/buyer's credit, leasing and hire purchase concerns working capital term loans, short-term loans, equipment procurement, installment credit, and others. The fee-based services offered by it are guarantees and letters of credit.

(3) **Corporate advisory services: -** IFCI provides advisory services in the areas of projects, infrastructure corporate finance, investment banking, and corporate restructuring. It also acts as a catalyst in channelising Foreign direct investments (FDIs) and provides a range of services to prospective foreign investors. IFCI also provides consultancy services on certain policy-related technical and financial matters to regulatory agencies in different infrastructure sectors, namely, electricity, telecom, oil and gas, insurance, education, and so on.

(4) **Corporate advisory services to foreign investors:** - IFCI provides a whole range of services to prospective foreign investors, namely facilitating the foreign business entities through information services; necessary office infrastructure for the start-up operations of the organization; coordination for obtaining the required approvals/clearances from the government departments/regulators/statutory manufacturing facilities; syndication services for obtaining the required capital; research inputs and information regarding tax incentives; tariff protections, and opportunities available for acquisition mergers, and amalgamations.

1.5 INDUSTRIAL DEVELOPMENT BANK OF INDIA: -

The Industrial Development Bank of India (IDBI) was established in 1964 by Parliament as a wholly owned subsidiary of Reserve Bank of India. In 1976, the Bank's ownership was transferred to the Government of India. It was accorded the status of the Principal Financial Institution for coordinating the working of institutions at national and state levels engaged in financing, promoting, and developing industries.

IDBI has provided assistance to development-related projects and contributed to building up substantial capacities in all major industries in India. IDBI has directly or indirectly assisted all companies that are presently reckoned as major corporates in the country. It has played a dominant role in balanced industrial development.

In 1982, IDBI transferred its International Finance Division to Export-Import Bank of India, which was established as a wholly owned corporation of Government of India under Export Import Bank of India Act, 1982.

IDBI set up the Small Industries Development Bank of India (SIDBI) as a wholly owned subsidiary to cater to specific the needs of the small-scale sector. In 2001, IDBI reduced its shareholding in SIDBI to 49 percent.

IDBI has engineered the development of capital market through helping in setting up of the Securities Exchange Board of India (SEBI), National Stock Exchange of India (NSE), Credit Analysis and Research Limited. (CARL), Stock Holding Corporation of India Limited (SHCIL), Investor Services of India Limited (ISIL), National Securities Depository Limited (NSDL), and Clearing Corporation of India Limited (CCIL)

In 1992, IDBI accessed the domestic retail debt market for the first time by issuing innovative bonds known as the Deep Discount Bonds. These new bonds became highly popular with the India Investor.

In 1994, the IDBI Act was amended to permit public ownership upto 49 per cent. In July 1995, it raised over Rs 20 billion in its first Initial Public Offer (IPO) of equity, thereby reducing the government stake to 72.14 percent. In June 2000, a part of government shareholding was converted to preference capital. This capital was redeemed in March 2001, which led to a reduction in government stake. The government stake currently is 58.47 per cent.

In August 2000, IDBI became the first All India Financial Institution to obtain ISO 9002:1994 Certification for its treasury operations. It also became the first organization in the Indian Financial sector to obtain ISO 9002:2000 Certification for its forex services.

In March 2001, IDBI set up the IDBI Trusteeship Services Limited under the companies Act, 1956, to provide technology driven information and professional services to subscribers and issuers of debentures.

IDBI has undertaken several initiatives to reposition itself as a universal bank. In April 2001, IDBI appointed Boston Consulting Group India Private Limited (BCG) as consultant to draw up a road map for conversion into a universal bank. The other initiatives include formation of a high level Risk Management Committee to develop overall risk management policy. The bank has constituted a Credit Risk Management Group to evaluate credit risk both the transaction levels as also at the portfolio level. In March 2002, the Government of India announced proximate corporatisation of IDBI.

Subsidiaries: -

(i) In 1993, IDBI set up IDBI Capital Market Services Limited (CMSL) as wholly owned stock broking company. It commenced operations as a primary dealer in November 1999. In the private placement market, it acts as an arranger for several institutions and corporate users. As a depository participant, the company offers institutional and retail clients the facility to maintain their investments and securities in electronic form.

(ii) In 1994, IDBI set up the IDBI Bank Limited, a private sector commercial bank. IDBI's shareholding in this bank is 57.14 per cent. The bank provides a complete range of banking facilities supported by a technology intensive environment. It is a leading player in depository participation services.

(iii) In 1999, IDBI set up the IDBI investment Management Company Limited as a wholly owned subsidiary. It entered into a joint venture agreement with Principal Financial Group, USA, for participation in equity and management of this subsidiary.

(IV) In March 2000, IDBI set up the IDBI Intech Limited as a wholly owned subsidiary to undertake captive IT-related activities.

(V) In March 2001, IDBI set up the IDBI Truseeship Services Limited under Companies Act, 1956, to provide technology driven information and professional services to subscribers and issuers of debentures.

SHAREHOLDING PATTERN OF IDBI'S EQUITY SHARE CAPITAL: -

Individuals	16.72%
Corporate Bodies	4.75%
Others	0.14%
Bank and FIs	19.92%
Government	58.47%

Products and Services: -

Over the years, IDBI has enlarged its basket of products and services to industrial concerns. IDBI provides financial assistance both in rupee and foreign currency for Greenfield projects, expansion, modernization, and diversification.

In order to cater to the diverse needs of corporate clients IDBI has structured various products such as equipment finance, asset credit, corporate loans, direct discounting, and working capital loans to finance acquisition of equipments and capital assets and to meet capital expenditure and/or incremental long-term working capital requirements. It also offers structured products such as lines of credit to meet the funding requirements for execution of turnkey contracts.

IDBI also provides indirect financial assistance through refinancing of loans extended by primary financial institution and by way of rediscounting bills of exchange arising out of sale of indigenous machinery on deferred payment terms.

In 2001, IDBI launched an equity support scheme to facilitate early financial support to deserving assisted projects, which are unable to tap the capital market. IDBI also introduced a new scheme for financing the film industry pursuant to the industry status being given to the entertainment industry.

IDBI also provides merchant banking and a wide array of corporate advisory services as part of its fee based activities. These include professional advice and services for issue management, private placement of equity/debt instruments, project evaluation, credit syndication, share valuation, corporate restructuring- including mergers and acquisitions, and divestment of equity. The Bank also offers a number of forex-related services on a commission basis, including opening of letters of credit and remittances of foreign currency on behalf of its assisted companies for import of its goods and services.

Summary: -

IDBI's objective is to position itself as India's premier wholesale bank, providing a full range of wholesale products through an integrated group structure. For accomplishing this, it has laid down its short-term and long-term strategies.

The short-term strategy would revolve around business growth of acceptable quality, reduction in costs, and improved risk management practices. Hence, the bank's priorities would be NPA containment and diminution along with recovery maximization, reducing the average cost of funds, fresh borrowings at optimum combination of cost and maturity, retail funding through its fixed deposit scheme to ensure access to stable source of funds and broad-basing the ambit of its fee-based activities. IDBI is placing more emphasis on non-project loans.

As part of its long-term strategy. IDBI has chosen universal banking as its basic business model. IDBI is currently undertaking calibrated measures to move towards universal banking.

1.6 INDUSTRIAL INVESTMENT BANK OF INDIA LIMITED: -

Industrial Investment Bank of India Ltd. (IIBI) was set up as a company under the Companies Act, 1956, in March 1997 by converting the erstwhile Industrial Reconstruction Bank of India. The Industrial Reconstruction Bank of India (IRBI) was set up in 1985 under the IRBI Act, 1984, as the principal credit and reconstruction agency for rehabilitation of sick and closed industrial units. With a view to providing IRBI with adequate operational flexibility and financial autonomy and converting it into a full-fledged all-purpose financial institution. IRBI was incorporated as IIBI, with headquarters in Calcutta.

As per the Memorandum and Articles of Association, IIBI can: -

(a) Provide financial assistance, with or without security, in the form of short, medium, long-term loan, demand loan, working capital facilities, equity participation, asset credit, and equipment finance.
(b) Invest in capital market instruments such as shares, debentures, bonds, and also money market instruments.
(c) Underwrite and extended guarantees.
(d) Engage in leasing and hire purchase finance.
(e) Act as a Trustee of any deed securing any investment.
(f) Provide consultancy and merchant banking, warehousing, factoring, depository and custodial services.

(g) Set up subsidiaries in the form of an investment company to deal in capital and money market instruments.

(h) Operate as an authorized dealer in foreign exchange.

IIBI is the only all-India financial institution (AFI) wholly owned by the Government of India. IIBI is exempted from payment of income tax for the first five years of its operations as per the industrial Reconstruction Bank (Transfer of Undertaking and Repeal) Act, 1997. It is now an AFI with a well-diversified portfolio spread over a wide range of industrial segments.

Services Provided by IIBI: -

IIBI provides project finance, short duration non-project asset-backed and working capital/short-term loans to companies. Since 2000-01, IIBI has diversified into investment in rated debentures/bonds of corporate and sovereign/state government guaranteed debt papers. These accounted for 58.4 per cent of its investment asset portfolio as on March 31,2001.

Besides these, it provides various services that include deferred payment guarantee, loan syndication, and merchant banking services such as issue management, underwriting and guarantees, project/reconstruction/ one-time settlement consultancy/appraisal.

IIBI's Business Strategy: -

IIBI's business strategy aims at improving asset quality and generating profits. To attain these objectives, IIBI placed emphasis on modern risk assessment and monitoring systems and organization restructuring.

Summary: -

IIBI has a track record of profitability growth in operating income and dividend payment since its inception in 1997. IIBI aims to build business around a niche network of clients and investors, intermediating as intellectual resource and information centre and spearhead new ways of doing business. Hence, its continuously upgrading the process, systems, and structures to build capabilities of integrated management, risk assessment, and risk control.

1.7 SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI): -

The Small Industries Development Bank of India (SIDBI) was set up in 1990 under an Act of Parliament- the SIDBI Act, 1989. The charter establishing SIDBI envisaged SIDBI to be “the principal financial institution for the promotion, financing and development and development of industries in the small scale sector and to coordinate the functions of other institutions engaged in similar activities.”

SIDBI commenced its operations on April 2, 1990, by taking over the outstanding portfolio and activities of IDBI pertaining to the small-scale sector. In pursuance of the SIDBI (Amendment) Act, 2000, and as approved by the Government of India, 51.1 per cent equity shares of SIDBI held by IDBI have been transferred to public sectors banks, LIC, GIC, and other institutions owned and controlled by the central government. Presently SIDBI has 35 banks, insurance companies, investment and financial institutions as its shareholders in addition to IDBI, which continues to hold 49 per cent share in SIDBI.

Four Basic objectives are set out in the SIDBI Charter. They are: -

(A) Financing
(B) Promotion
(C) Development
(D) Coordination for orderly growth of the small-scale industrial sector.

Small-scale industries are the industrial units in which the investment in plant and machinery does not exceed Rs 10 million. The small-scale sector, consisting of 3.1 million units, forms the backbone of the Indian economy, contributing to around 40 per cent of India’s total manufacturing sector output, around 35 per cent of total exports and providing employment to nearly 19 million persons. The major issues hindering the growth of small scale industries are technology obsolescence, managing inadequacies, delayed payments, poor quality, incidence of sickness, lack of appropriate infrastructure, and lack of marketing network. This sector needs to be nurtured and provided strong support services for its long-term profitable growth. SIDBI tries to strike a balance between financing and providing support services for the development of small-scale sector.

As an apex institution SIDBI makes use of the network of the banks and state financial institution, which have retail outlets for coordinating the development of the small-scale sector. It has initiated a system of dialogue and obtaining feedback from the representatives of institutions of small-scale industries who are on the SIDBI's National Advisory Committee and Regional Advisory Committees. SIDBI has entered into Memorandums of Understanding (MOUs) with 18 banks, government agencies, international agencies development institutions, and industry associations to facilitate a coordinated approach for the development of the small-scale sector.

Financial Products Offered by SIDBI: -

SIDBI offers a chain of financial product covering micro-finance, incubation, venture capital project finance, assistance for technology development and marketing of small scale industries products, export bills, finance, factoring, guarantees for loans, and so on SIDBI also provides support services such as training, market information, and advice for enhancing the inherent strength of small scale units.

Products and Services: -

- Direct Finance Schemes
- Bills finance Schemes
- Refinance Schemes
- International Finance Schemes
- Marketing Finance And Development Schemes (Marketing Schemes)
- SIDBI Foundation for Micro Credit

- Other Schemes
- Promotional and Development Activities (P&D activities)
- Fixed Deposit/Bonds

Direct Finance Schemes: -

1. Credit Linked Capital Subsidy (CLCS)
2. Scheme of Integrated Infrastructural Development (IID)
3. Equipment Finance Scheme (EFS)
4. Fast Track Financing Scheme (FTFS)
5. ISO 9000 Scheme (PFS)
6. Project Finance Scheme (PFS)
7. Tannery Modernization
8. Technology Development and Modernization Fund Scheme (TDMFS)
9. Technology Up gradation Fund Scheme for Textile Industries (TUFS)
10. Working Capital Term Loan (WCTL)

Bills Finance Schemes: -

1. Bills Rediscounting Scheme – Equipment (BRS-E)
2. Bills Rediscounting Scheme – Inland Supply Bill (BRS-I)
3. Direct Discounting Scheme – Components (DDS-C)
4. Direct Discounting Scheme – Equipment (DDS – E)

Refinance Schemes: -

1. Refinance Scheme for Rehabilitation of Sick Industrial Units. (RSR)
2. Self employment for Ex-Serviceman Scheme (SEMFEX)
3. Single Window Scheme (SWS)
4. Refinance for Small Road Transport Operators. (SRTOs).
5. Refinance Scheme for Tannery Modernization (STM)
6. Refinance Scheme for Technology Development and Modernization Fund. (RTUF)

7. Refinance Scheme for Textile Industry under Technology Up gradation Fund. (RTUF) Refinance Scheme for Acquisition of ISO Services Certification, by SSI Unit (RISO 9000)
8. Composite Loan Scheme (CLS)
9. Credit Linked Capital Subsidy Scheme for Technology Up gradation of Small Scale Industries (CLCSS)
10. For Term Loan – Non SSI
11. General Refinance Scheme (GRS)
12. Mahila Udyam Nidhi (MUN)
13. National Equity Fund Scheme (NEF)

International Finance Schemes: -

Booking of Forward Contract.

1. Foreign Currency Term Loan Scheme (FCTL)
2. Line of Credit Foreign Currency (LOCFC)
3. Opening of Foreign Letters of Credit (FLC)
4. Post- Shipment Credit in Rupees
5. Pre-Shipment Credit in Foreign Currency (PCFC)

Marketing Schemes: -

1. Marketing Fund for Women (MFW)
2. Marketing of SSI Products.

SIDBI Foundation for Micro Credit: -

1. SIDBI Foundation for Micro Credit.

Other Schemes: -

1. Scheme for Domestic Factoring (DFS)
2. Scheme for Invoice Discounting (IDS)

Promotional and Development Activities: -

1. Mahila Vikas Nidhi (MVN)
2. Rural Industries Programme (RIP)
3. Entrepreneurship Development Programme (EDP)

4. Management Development Programmes (MDP)
5. Technology Up gradation Development Programmes (TUDP)
6. Quality and Enviornment Management (QEM)

Fixed Deposits/ Bonds: -

1. Fixed Deposit Scheme (FDS)
2. Capital Gains Bond (CGB)

SIDBI's financial assistance to small-scale sector is channelised through:-

(A) Indirect assistance to primary lending institutions (PLIs)

(B) Direct assistance to small units.

Indirect assistance is extended by way of refinancing, granting of Line of credit (LOC) in lieu of refinance to and rediscounting of bills of exchange to eligible PLIs including banks, state financial corporations, and state industrial development corporations having over 65,000 branches all over the country. The total number of eligible PLIs as at the end of March 2001 stood at 910.

SIDBI refinances loans sanctioned and disbursed by PLIs to set up new SSI projects and for expansion, technology, up gradation, modernization, quality promotion, diversification by existing units, and rehabilitation of sick SSI units. This refinance assistance flows to the transport, health, and tourism sectors and also to professional and self-employed persons setting up small-sized professional ventures.

SIDBI extends short-term loans to scheduled banks in respect of their outstanding portfolio relating to SSI sector against with no financial support banks availed from other institutions.

SIDBI rediscounts bills of SSI suppliers and bills arising out of sale/purchase of machinery discounted by scheduled commercial banks.

Subsidiaries: -

To facilitate the creation of an environment for self-sustaining and growing SSI units and to provide a completed range of services, SIDBI has set up

(1) Credit Guarantee Fund Trust for Small Industries.

(2) SIDBI Venture Capital Limited.

(3) Technology Bureau for Small Industries.

(4) SIDBI Foundation for Micro Credit.

The Credit Guarantee Fund Trust for Small Industries (CGTSI) has implemented a credit guarantee fund scheme for small industries to facilitate collateral free and third party guarantee-free credit facilities (both long-term and working capital) from scheduled commercial banks and select regional rural banks to new and existing units in SSI sector, including units in the information technology and software industry. The Credit Guarantee Fund Trust for Small Industries, which guarantees collateral free/third party guarantee-free loans unto Rs 25 lakh per SSI borrower, is an important credit facilitating initiative.

SIDBI's Venture Capital Limited Provides venture funds for various activities such as software services and education, product development, internet services, and so on.

The Technology Bureau for Small Enterprises has been set up in association with United Nations, and Asia Pacific Centre For Transfer of Technology (APCTT). The Technology Bureau for Small Enterprises assists small enterprises in accessing the latest technologies in diverse industrial fields, both from within and outside India.

SIDBI Foundation for Micro Credit (SFMC) is creating a national network of strong, viable, and sustainable micro-finance institutions from the informal financial sectors to provide micro-finance services to the poor, especially women, for setting up micro enterprises.

Besides these, SIDBI is the co-promoter of IDBI Bank Ltd., North-Eastern Development Financial Institutions (NEDFIs), SBI Factors, and Canbank factors.

Consequent upon amendments to the State Financial Corporations (SFCs) Act, State Financial Corporations have been brought under the ambit of SIDBI.

SIDBI is among top 30 development banks of the world. As per the May 2001 issue of The Banker, London, SIDBI ranked twenty-fifth both in terms of capital and assets.

Summary: -

After making a beginning an essentially a refinance institution SIDBI has grown into a multifaceted organization. It has served the small sector well by providing a wide range of products and resource support services in it twelve years of existence. It will, however, have to change its operational strategy in view of declining interest rates and availing of refinance of banks. SIDBI should endeavor to contain non-performing assets and build quality long-term assets and thereby become a strong and vibrant financial institution.

1.8 INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED: -

Infrastructure Development Finance Company Limited (IDFC) was set up on the recommendations of the Expert Group of commercialization of Infrastructure Projects under the Chairmanship of Dr. Rakesh Mohan. The group identified the need for a specialized financial intermediary for infrastructure to professionalize the process of infrastructure development in the country. IDFC was incorporated on January 30, 1997, with an initial paid up capital of Rs 1,000 Crore. The Government of India and the Reserve Bank of India have contributed Rs 650 crore by way subordinated debt, raising its total capitalization to Rs, 1650 crore. Domestic financial institutions such as HDFC, ICICI Ltd., IFCI Ltd., SBI, and UTI have contributed 20 per cent of the share capital; foreign shareholding is 40 per cent; and government shareholding constitutes 40 per cent of the total capital.

IDFC was set up to facilitate the flow of private finance to commercially viable infrastructure projects. The traditional sources of finance could not meet the financing needs of such projects, as the risk profile of infrastructure projects is unique. IDFC has designed innovative products and services to address the specific needs of infrastructure financing. The mission of IDFC is leading private capital to commercially viable infrastructure projects by advocating solutions that deliver efficient services to consumers.

Initially IDFC focused on power, roads, ports, and telecommunication. Now it has broadened this focus to the framework of energy, telecommunication and information technology, integrated transportation, urban infrastructure and food and agri-business infrastructure.

IDFC has been assigned lead manager mandates and key advisory assignments. In its role as policy advisor, IDFC provides leadership in rationalizing policy and regulatory frameworks and removes impediments to the movement of capital to infrastructure sectors. To facilitate the role of policy advisor, IDFC identifies best products, draws on the expertise of policy advisory boards and promotes policy dialogue amongst key players in the various infrastructure projects. IDFC also provides finance by way of equity and debt support. It also strengthens links between financial institutions and infrastructure projects by encouraging financial institutions to participate in infrastructure projects.

IDFC'S operations: -

Energy IDFC provides consultancy and advisory services to state governments for formulating a power sector strategy. It prepares road maps for reform initiatives in respect of the policy framework governing the power sector with a belief that its multi-pronged and focused approach to reforming the power sector would ultimately translate into desired investment opportunities. It also acts a lead arranger and financier for power projects.

IDFC played a pivotal role in the preparation of the report of the Government of Karnataka's High Level Committee on Escrow cover to Independent Power Projects. IDFC is part of the consortium acting as a privatization consultant to Karnataka Power Transmission Company Limited, the monopoly state public sector company engaged in transmission and distributed of power. IDFC has provided financial advisory services and prepared a detailed fuel study for the Torrent Group's proposed power generation plant. It also interacts with and responds to documents released by the Central Electricity Regulatory Commission (CERC) and various State Electricity Regulatory Commissions.

As on June 30, 2002, Rs 4,122 crore was approved to 37 projects and Rs 779 core were disbursed to 13 projects.

Food and Agriculture Business Infrastructure: -

This initiative was launched in August 2000. IDFC entered this sector with a belief that this sector has immense growth potential and the private sector has an important role to play to complement initiatives of the government. It has entered into a strategic alliance with Rabobank, the Netherlands, a pioneer in the food and agriculture business, to provide the F&A industry in India with unique solutions for the development of its infrastructure.

Integrated Transportation: -

IDFC views integrated transportation as an integrated logistics chain with parts not only complementing each other but also competing with each other. Hence roads, railways, pipelines, waterways, ports, and airports are links of chain and not stand alone, independent entities.

IDFC has approved Rs 1,980 crore to 24 projects and has disbursed Rs 758 crore to ten projects till June 30,2002.

Telecommunications and IT Infrastructure: -

IDFC has provided financial assistance to various telecom service projects in the areas of cellular mobile, basic national long distance, cable and broadband, and satellite services provision. IDFC's major clients and private sector telecommunication service players. It has provided assistance on a non-or limited resources basis, with project sizes ranging from Rs 20 crore to Rs. 5,000 crore and loan periods varying from one to ten years.

IDFC has consolidated its operations in cellular industry with 60 per cent of assistance provided to cellular mobile telephony service providers. It has played a key role in the two initial public offers by the new telecom companies as underwriter and anchor investors. It also provides performance and financial guarantees. Telecom and IT assets comprised 50 per cent of IDFC's total assets as on March 31, 2002.

Urban Infrastructure: -

IDFC provides financing and project advisory services for the development of urban infrastructure. It helps the state governments to prepare a road map for private sector participation in the development of urban infrastructure. IDFC played a key role in the Committee for Operation and Maintenance of Rural and Urban Water Supply Schemes constituted by the Government of Mahrashtra. It has also entered into an agreement with the Asian Development Bank for a line of credit amounting US $ 30 million for financing urban and environmental infrastructure projects. It is also a member of the Steering Committee for financing bankable solutions for waste to energy projects in Mumbai. IDFC has so far approved RS 372 crore to eight projects and disbursed Rs 38 crore to five projects.

Summary: -

IDFC has evolved a vision for core sectors such as power, ports, roads and telecom where cost-effective service to the end user is the ultimate goal of infrastructure is in introducing competition. It has successfully financed innovative projects in its five years of existence. In order to provide a thrust to the infrastructure financing programme. IDFC will be merged with the Infrastructure Leasing and Financial Services (IL&FS). This new company will be the country’s biggest infrastructure financing company.

1.9 THE EXPORT-IMPORT BANK OF INDIA: -

The Export-Import Bank of India (Exim Bank) is a public sector institution created by an Act of Parliament – the Export-Import Bank of India Act, 1981. It commenced its business operations in March 1982. It is wholly owned by the Government of India and was set up for the purpose of financing, facilitating and promoting foreign trade in India. Exim Bank is the principal financial institutions are the country for coordinating working of the institutions engaged in financing exports and imports.

Exim Bank is an apex institution, which promotes foreign trade. Its head office is Mumbai. It has a network of 13 offices in India and overseas.

Objectives: -

1. Financing, facilitating, and promoting India's foreign trade.
2. Creating export capability by arranging competitive financing at various stages of the export cycle.
3. Developing commercially viable relationships with a target set of externally oriented companies by offering them a comprehensive range of products and services, aimed at enhancing their internationalization efforts.

The vision of Exim Bank's is "To offer best-in-class services to out customers in their globalization efforts through the creation of an environment for out people that rewards excellence, initiative and innovation."

Exim Bank: Business Profile: -

The operations of the Bank are grouped as below:

Export Credits: -

- The Bank provides export credit on deferred payments terms on exports of Indian Machinery, manufactured goods, consultancy, and technology services.

- ❖ Lines of Credit/buyer's credits are extended to overseas entities, that is, governments, central banks, commercial banks, development finance institutions, regional development banks for financing export of goods and services from India.
- ❖ The Bank also provides:
  - Project Finance
  - Trade Finance

Export Capability creation: -

- ❖ Export product development
- ❖ Export marketing finance
- ❖ Export oriented finance
- ❖ Project Finance
- ❖ Working capital
- ❖ Production equipment finance
- ❖ European Community Investment Partners (ECIP)
- ❖ Asian Country Investment Partners (ACIP)
- ❖ Overseas Investment Finance.
- ❖ Export facilitation programmes.
- ❖ Software training institutes.
- ❖ Minor ports development

Export Services: -

- ❖ In addition to finance, the Bank provides a range of information and advisory services to Indian companies to supplement their efforts aimed at globalization of Indian Business.

Supporting groups: -

1. Planning and research
2. Accounts/MIS/EDP.

3. Legal
4. Coordination
5. HRD
6. Establishment.

Exim Bank provides a range of programmes, which can be classified into

(1) Financing programmes

(2) Export Services and export promotion programmes.

Financing Programmes: -

Exim Bank provides financial assistance to Indian companies by way of a variety of lending programmes, namely, non-funded lending programmes. Non-funded lending programmes include bid bond, advance payment guarantee, performance guarantee, guarantee for release of retention money, guarantee for raising borrowings overseas, and other guarantees. Funded lending programmes include preshipment ruppe credit, post shipment rupee credit, foreign currency loan, overseas buyers credit, lines of credit, loan uder FREPEC Programme, and refinance of export loans.

Exim Bank also provides financial assistance to Indian Companies for export capability creation by way of a lending programme for export oriented units, production equipment finance programme, import finance, export marketing finance programme, software training institutes, financing, research and development, export vendor development landing programme, foreign currency pre shipment credit, and working capital term loan programme for export oriented units.

Export Services and Export Promotion Programmes: -

Exim Bank provides a range of export related services. The Bank's fee-based services help identify new business propositions, source trade, and investment-related information, create and enhance presence through joint network of institutional link across the globe, and assist externally oriented companies in their quest for excellence and globalization. It also provides services such as research for overseas partners, identification of technology suppliers, negotiating alliances, and development of joint ventures in India and abroad. The Bank also supports Indian project exporters, and consultants to participate in projects funded by multilateral funding agencies.

It also extends assistance to India promoter companies in setting up of joint ventures through the Overseas Invest Finance Programme (OIF) and the Asian Countries Investment Partners (ACIP) programme.

Exim Bank plays the role of an intermediary for facilitating the forfeiting transaction between the Indian exporter and the overseas forfeiting agency. It also set up a new company, the Global Trade and Finance Private Limited in association with West LB, Germany, and IFC. Washington to offer export factoring and forfeiting to Indian exporters.

The bank undertook new initiatives during 2000-01. It launched a new programme in association with EBRD, London, to support Indian exports to 26 countries. It also entered new business like venture capital finance and brand promotion in Europe.

Summary:

Exim Bank has reoriented its strategies looking to the changing dynamics of international trade and global environment. It caters not only to the financing needs of exporters and importers but also supports Indian companies in their effort to globalize their business. These new initiatives have helped the exporters and importers to secure more business, which, in turn, has led to an increase in the Bank’s assets and profits.

1.10 NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT: -

The National Bank for Agriculture and Rural Development (NABARD), a development bank, came into existence on July12, 1982, under and Act of Parliament with an initial capital of Rs 100 crore. It is an apex institution set up for providing and regulating credit and other facilities for the promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts, and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas and for matters connected therewith or incidental thereto.

NABARD took over the functions of the erstwhile Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of RBI and Agricultural and Development and Corporation (ARDC). Its subscribed and paid up capital was Rs 100 crore, which was enhanced to Rs 500 crore, contributed by the Government of India (GOI) and the Reserve Bank of India (RBI) in equal proportions. The capital is now enhanced to Rs 2,000 crore.

Functions of Nabard: -

(1) It serves as an apex refinancing for the institutions providing investment and production credit for promoting the various developmental activities in rural areas.

(2) It takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, and so on.

(3) It coordinates and supervises the rural financing activities of all institutions engaged in developmental work at the field level and maintains liaison with the Government of India, state governments, Reserve Bank of India, and other National level Institutions concerned with policy formulation.

(4) It undertakes monitoring and evaluation of projects refinanced by it.

(5) It promotes research in the fields of rural banking agriculture and rural development.

(6) It prepares annual rural credit plans for all districts in the country, which form the base for annual credit plans of all rural financial institutions.

NABARD operates throughout the country through its 28 regional offices and one sub-office, located in the capital of all the states/union territories. It has 320 district offices across the country and one special cell at Srinagar. It has also set up five training centers.

Refinance: -

NABARD's mission is accelerated capital formation to promote sustainable and equitable agriculture and rural prosperity with refinance as lever.

The institutions eligible for refinance is state cooperative agricultural and rural development banks (SCARBs), regional rural banks (RRBs), state cooperative banks (SCBs), commercial banks (CBs) state agricultural development finance companies (SADFCs) and primary urban cooperative banks.

NABARD extends refinance for both farm and non-farm sector. Long term investment for farm sector includes investment on agriculture and allied activities such as minor irrigation, farm mechanization, land development soil conversation, diary, sheep rearing, poultry, piggery, plantation/horticulture, forestry, fishery, storage and market yards, biogas and other alternate sources of energy and so. Non-farm sector includes investment activities of artisans, small-scale industries tiny sector, village and cottage industries, handicrafts, handlooms, and other. NABARD extends automatic refinance facility for refinance limit upto Rs 20 lakh.

NABARD's special focus is on the removal of regional/sectorial imbalance and hence gives preference to the needs of north-eastern states in terms of allocation of resources, quantity of refinances, and so on. Besides this, its focus is on hi-tech and export-oriented projects. It has issued guidelines for formation of hi-tech and export-oriented projects in farm and non-farm sectors. It also undertakes consultancy work for projects. It has set up ADFCs in Andhra Pradesh, Tamil Nadu and Karnataka for financing hi-tech/commercial ventures. NABARD is the chief promoter of these ADFC with a holding of 26 per cent equity.

NABARD provides short-term refinance for various types of production/marketing/procurement activities. NABARD provides refinance facilities to:

(1) SCBs and RRBs for financing seasonal agricultural operations (SAOs), which include plugging and preparing land for sowing and weeding, and labour for all operations in the fields for raising and harvesting the crops.

(2) SCBs/CBs for financing the requirements of Primary Weavers' Cooperative Societies (PWCS), Apex Regional Weavers Societies, and State Handloom Development Corporations (SHDCs) to benefit the weavers outside the cooperative fold.

(3) RRBs for financing artisans and village/cottage/tiny sector industries as also for financing persons, belonging to the weaker sections and engaged in trade/business/service.

(4) SCBs on behalf of District Central Cooperative Banks (DCCBs) for (a) financing farmers to hold on to their produce till they get remuneration price of their produce (b) procurement stocking, and wholesale distribution by apex societies and retail distribution of fertilizers to farmers.

Other refinance facilities include conversion assistance in case of natural calamity long-term loans to state governments financing of state handicrafts development corporations financing of industrial cooperative societies and forest labour cooperative societies, and medium-term credit limits to SCBs and RRBs.

Types: -

Agency	Credit Facilities
Commercial banks	❖ Long-term credit for investment purposes ❖ Financing the working capital requirements of Weavers' Cooperative Societies (WCS) and State Handloom Development Corporations.
Short-term Cooperative Structure (State Cooperative banks. District Central Cooperative Banks. Primary Agricultural Credit Societies)	❖ Short-term (crop and other loans) ❖ Medium-term (conversion) loans ❖ Term loans for investments purposes ❖ Financing WCS for production and marketing purposes ❖ Financing State Handloom Development Corporations for working capital by State Cooperative Banks.
Long-term Cooperative Structure (State Cooperative Agriculture and Rural Development Banks, Primary Cooperative Agriculture and Rural Development Banks)	❖ Term Loans for investments purposes
Regional Rural Banks (RRBs)	❖ Short-term (crop and other loans) ❖ Term loans for equity participation in cooperation.
State Governments	❖ Long-term loans for equity participation in cooperatives. ❖ Rural Infrastructure Development Fund (RIDF) loans for infrastructure projects.
Non-Governmental Organisations (NGOs) – Informal Credit Delivery System	❖ Revolving Fund Assistance for various micro-credt delivery innovations and promotional projects under Credit and Financial Services Fund (CFSF) and Rural Promotion Corpus Fund (RPCF), respectively.

NABARD also extends refinance to banks for financing government sponsored programmes such as Swarnajayanti Gram Swarozgar Yojana Prime Ministers' Rozgar Yojana action plans and SC/ST Development Corporations and for development of non-conventional energy sources.

Rural Infrastructure Development Fund: -

The development of a strong rural infrastructure is a prerequisite for increasing productivity of lands, capital and labor, improving the quality of life, and reducing vulnerability of rural power. Rural infrastructure includes irrigation structures, rural lands, bridges, water supply, sanitation, rural energy, rural market yards, and education health communication and information technology. Investment in rural infrastructure creates new economic opportunities and activities, generates additional employment and income, and facilitates and improves delivery of other rural services.

Investment in rural infrastructure declined in the eighth five-year plan period. The state governments failed to develop and maintain rural infrastructure due to resource crunch. Moreover, the commercial banks which were to channelise at least 18 per cent of their totaling lending to agriculture were unable to fulfill their commitment. To provide loans to state governments for the creation of rural infrastructure at reasonable rates, RIDF was set up in 1995-96 under the initiative of the Central Government. The scheme is operationalzed by NABARD/

Under the scheme, the central government through budgetary outlays, contributes to the corpus fund of RIDF.

RIDF was set up with an initial amount of Rs 2,000 crore. (RIDFI). The Tranche-I was made up of contributions by way of deposits from scheduled commercial banks operating in India to extend of shortfall in their agriculture lending subject to a maximum of 1.5 per cent of the net bank credit. In the years 1996-97 and 1997-98, the Union Budgets allocated Rs 2,500. In the subsequent Tanches-IIis amount was raised to Rs 3,000 crore in 1998-99, Rs, 3,500 crore in 1999-2000, Rs 4,500 crore in 2000-01. Rs 5,000 crore in 2001-02. and Rs 5,500 crore in 2002-03. In order to encourage commercial banks to directly lend to priority sector, interest rates earned by commercial banks on RIDF deposits are kept inversely related to the shortfall in lending to agriculture. Further, credit risk wrights for both direct priority sector lending and RIDF deposits has been fixed at 100 per cent.

Table 1.1
The corpus amount sanctioned phased an disbursed under RIDF are given in Table

RIDF Tranche	Corpus	Amount Sanctioned	Amount phased	Amount Disbursed
(1)	(2)	(3)	(4)	(5)
RIDF 1	2,,000	1,911	1,911	1,761
RIDF 2	2,500	2,620	2,620	2,250
RIDF 3	2,500	2,693	2,693	2,183
RIDF 4	3,000	2,988	2,988	1,863
RIDF 5	3,500	3,568	3,568	1,969
RIDF 6	4,500	4,586	3,872	1,899
RIDF 7	5,000	5,066	1,479	1,117
TOTAL	23,000	23,432	19,131	13,042

*Excluding schemes withdrawn.

Source: RBI, Report on Trend and Progress of Banking in India, 2001-02

The corpus of RIDF I to VII taken together amounted t Rs 23,000 crore as on March 31, 2002. Cumulative amounts of deposits mobilized, loans sanctioned and fund disbursed under RIDF as on March 31, 2002, were Rs 12,288 crore, Rs 23,432 crore, and Rs 13,042 crore respectively.

RIDF is used to finance incomplete or ongoing projects in minor, medium and major irrigation along with flood protection, watershed management, and soil conversations. It also includes activities such as construction of rural roads and bridges, harvesting of rain water and construction of terminal rural markets, fish jetties and cold, primary school buildings, primary health centres, village haats, anganwadi centres, shishushiksha kendras, forest management, mini hydel and system improvement projects under power sector, rural drinking water supply, and citizens' information centres under IT sector.

Loans under RIDF are sanctioned upto 90 per cent of the project cost. Ongoing incomplete projects and projects with shorter gestation period are according priority. 43,478 projects involving a loan amount of Rs 5,066 crore were sanctioned under RIDF during 2001-02. Rural roads and bridges accounted for 48.4 per cent of the amount sanctioned while irrigation accounted for 23.6 per cent. The total amounted sanctioned till July 5, 2002, was Rs 24,398.35 crore wherein roads and bridges accounted for 52.31 per cent, irrigation accounted for 34.36 per cent, watershed 1.64 per cent and other 11.69 per cent. As at the end of March 2002, of the 2,33,235 projects sanctioned, 1,34,636 projects were completed.

Other schemes: -

(1) Kisan Credit Card (KCC) Scheme: - This scheme was started in 1998-99 to grant credit to farmers. During the year 2001-02, 83.82 lakh cards were issued by cooperative banks, RRBs and CBs. Since inception up to the end of March 2002, 2.32 crore KCCs have been issued of which RRBs and cooperative banks issued 1.65 crore KCCs involving a credit limit of Rs 33,994 crore. Loans disbursed under KCCs have been brought under Rashtriya Krishi Bima Yojna of the General Insurance Corporation. KCC holders are alos being provided personal accident insurance cover of Rs 50,000 for death and Rs 25,000 for disability.

(2) Watershed development fund: -This fund was created in NABARD in 1999-2000 with a corpus of Rs 200 crore contributed equally by the Government of India and NABARD for implementing watershed projects in 100-priority district of 14 states. This programme includes the improvement of productivity of land, groundwater recharge, and conservation of soil and moisture. As on March 31, 2002, 119 Capacity Building Phase Projects have been sanctioned in 9 states. During the year 2001-02 106 new projects involving a grant support of Rs. 5.44 crore were approved.

(3) Scheme for setting up of agriclinic and agriculture centers: - During the year 2001-02, NABARD formulated a scheme for financing agriculture graduates for setting up agriclinics and agribusiness centers. Scheme for financing farmers for purchase of land for agricultural purposes.

(4) Scheme for ex-serviceman taking up self-employment activities under SEMFEX II.

(5) In 1998, the GOI in collaboration with NABARD launched a central sector capital subsidy scheme (Investment Promotion Scheme) for development of privately owned non-forest wastelands in the country.

(6) Refinance scheme for financing farmers' service centers set up in collaboration with Mahindra Shubhlabh Services Limited (MSSL) for providing various extension services to farmers, including supply of agric inputs.

(7) Micro Finance Development fund: - NABARD has set up a Mciro-Finance Development Fund with an amount of Rs 100 crore, in pursuance of the proposal contained in the Union Budget 2000-01. The Fund has received an initial contribution of Rs 100 crore contributed by the RBI, NABARD and II Public Sector Commercial Banks. NABARD has further contributed Rs 6 crore from its surpluses to the fund. This fund helps in furthering the cause of banking with the poor. Over 7.9 million poor households have gained access to the formal banking system through 458 thousand. Self-help groups (SHGs). More than 90 per cent SHGs have exclusively women members. SHG Bank linkage programme covered 488 districts in 30 states and union territories (UTs). During the year 2001-02 Rs 5,454,.59 million disbursed by banks as loans to SHGs. Cumulatively as on March 31, 2002 banks have disbursed more than Rs 1,000 crore as loans to about 4.6 lakh SHGs and availed of Rs 794 crore as refinance from NABARD. On-time repayment of bank loans was above 95 per cent from SHG members. NABARD has provided upto March 31, 2002, Revolving Fund Assistance (RFA) of Rs 104 million to 26 NGos, SHG Federations, and credit unions for on-lending to SHGs and to build their financial intermediation capacities.

The SHG bank linkage programme is perhaps the largest micro-finance programme of the world in terms of its outreach. Today, over 2000 non-government organizations (NGOs) and 17,000 branches of 444banks are associated with the programme. Cumulatively, over 50,000 banks officers and 1,200 faculty members of training colleges of banks have been trained by NABARD.

Amendments to NABARD Act, 1981: -

Comprehensive amendments to NABARD Act, 1981, were made to provide operational flexibility to the bank in meeting the changing requirements of the rural sector. These amendments were made effective from February 1, 2001. The amendments relate to explicit reference to NABARD as a development bank, enhancement of capital limit from Rs 500 crore to Rs 5,000 crore, allowing holding of private equity upto 49 per cent with a minimum of 51 per cent by the Government of India and RBI, flexibility mobilization and credit-delivery by the bank introduction of new products and setting up of subsidiaries.

NABARD as a Consultant: -

NABARD has recently (2003) set up its own consulting wing called NABCON for loan seekers. The new wing is established to provide information, technical guidance, critical ideas and consultancy services to the entrepreneur banks co-operative government and non-government organizations. The bank's wing in India as well as in the international level has on date projects worth about $200 million under consultancy, or in active consideration.

NABARD as a Regulator: -

NABARD was set up under the aegis of RBI for supervision and refinance of rural cooperatives. It presently supervises 29 state cooperative banks (SCB), 367 district central cooperative banks, (DCCB), 804 primary agricultural societies, and 196 regional rural banks. (RRBs).

Financial Highlights of NABARD: -

The profits before tax during 2001-02 were Rs 1,481 crore representing a 9.4 per cent increase over last year. The profit after tax during the year 2001-02 was lower than the previous year due to provision for tax. NABARD was exempted from income tax on its income U/s. 55 of NABARD Act, 1981, till March 31, 2001.

During the year 2001-02 the aggregate financial support provided to banks and state governments reach a new height of about Rs 21,146 crore compared to Rs 19,518 crore during the previous year. Investment credit constituted Rs 6,682.77 crore-production creddt Rs 9,396.76 crore and RIDF Rs 5,066.12 crore.

Under investment credit, SCARDBs availed the highest amount of refinance (42 per cent of total disbursements), followed by commercial banks at 24 per cent, RRBs at 18 per cent, and SCBs at 16 per cent. Among the states, UP availed the highest amount of refinance followed by Maharashtra, Andhra Pradesh,

Summary: -

NABARD has played a key role as an apex level development finance institution committed to rural prosperity. Its performance has been satisfactory in all areas of its operations. It has introduced new schemes and chalked out new strategies for better achievements in future.

1.11 INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED: -

The industrial Credit and Corporation of India Limited (ICICI) was among the first development banks in the world to be set up in the private sector. It was formed in 1955 at the initiative of the World Bank, the Government of India, and representatives of Indian Industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian business.

ICICI played a catalytic role in the Industrial development of India. It became a major source of foreign currency loans from multilateral agencies and international financial markets. ICICI was the first Indian borrower to raise the West German loan of DM 5 million from Kerdianstalt (KFW) without a GOI guarantee in 1961, European currency units in 1982, and ADB loans in 1986. ICICI was the first Indian entity to float in 1986 a public issue of 75 million Swiss francs in the Swiss capital markets. It signed a loan agreement in 1987 for 10 million sterling with Commercial Wealth Development Corporation (CWDC), the first loan by CDC for financing projects in India. ICICI was the first Indian financial company to raise Global Depository Exchange, (NYSE) through an issue of American Depository Shares (ADS) in 1999.

In 2001, ICICI raised a foreign currency loan of USD 75 million at LIBOR plus 70 basis points, setting a new benchmark for a five year borrowing by an Indian entity in the international markets after the Asian currency crisis.

ICICI successfully raised funds from the domestic market also. ICICI made its first debenture issue of Rs. 6 crore in 1967 which was oversubscribed. ICICI raised financial resources from retail investors through various public offerings of bonds.

Following the economic liberalization of the Indian economy, ICICI limited has renamed itself as ICICI.

Institutes Promoted by ICICI: -

ICICI initiated setting up the development institutions in the field of hosing and state level industrial development. ICICI promoted specialized institutions in the areas of credit rating, venture capital, investment banking and asset management.

ICICI promoted Shipping Credit and Investment Company of India Limited (SCICI) in 1986 which was later merged with ICICI in 1996. ICICI along with UTI set up the Credit Rating Information Services of India Limited (CRISIL), India's first professional credit rating agency, in 1986. In 1998, ICICI promoted TDICI India's first venture company limited. In 1996, ICICI set up ICICI securities and Finance Company Limited in joint venture with J P Morgan. In 1994 ICICI promoted the ICICI Bank marketing its first foray into retail banking. ICICI diversified into merchant banking and leasing operations. ICICI took over ICICI ssic finance and anagram finance in 1997 and 1998 respectively. In 2000 ICICI acquired the Bank of Madura Limited to increase its retail deposit base.

The year 2002 marked a turning point in the history of the ICICI group. ICICI limtited was merged with ICICI Bank. ICICI. ICICI personal Financial services limited (ICICI PFS), and ICICI Capital Services Limited (ICICI Capital) were amalgamed with the Bank with effect from March 30,2002. ICICI PFs, a subsidiary of ICICI, was acting as a focal point for marketing, distribution and servicing the retail product portfolio of ICICI including auto loans, commercial vehicle loans, credit cards, and consumer loans, ICICI Capital, a subsidiary of ICICI, was engaged in sales and distribution of various financial and investment products such as ICICI Bonds, Fixed Deposits, Demat Services, and Mumbai Funds, ICICI was the first to start internet banking and web-based securities trading through its subsidiary ICICI Web Trade Limited.

Merger of ICICI with ICICI Bank: -

ICICI and ICICI Bank, along with other ICICI group companies, were operating as a virtual universal bank offering a wide range of financial products and services. In the context of the move towards universal banking and the stiff competitive scenario in the Indian banking industry, both the entities were merged. The merged entity has now an access to low-cost deposits higher income and participation in the payments system entry into new business segments, higher market share in various segments especially in fee-based services and vast talent pool of ICICI and its subsidiaries, which in turn would enhance the value for ICICI Bank shareholders. The merger has resulted in the integration of the retail finance operations of ICICI and its two merging subsidiaries and ICICI Bank into one entity, creating an optimal structure for the retail business. The share exchange ratio approved for the merger was one fully paid-up equity share of ICICI Bank for two fully paid-up equity shares of ICICI. The merger was approved by the shareholders of both companies in January 2002, by the High Court of Gujarat in March 2002 and by the High Court of Judicature at Mumbai and the Reserve Bank of India (RBI) in April 2002. ICICI could successfully meet the statutory reserve requirements applicable to banks within the target date of March 30, 2002. While the merger became effective on May 3 2002 in accordance with the provision of the Scheme of Amalgamation and the terms of approval of RBI the appointed date for the merger was March 30, 2002. The merger created India’s first universal bank and the second largest bank in the country with total assets of about Rs 1 trillion and about 540 branches and offices and over 1000 ATMs. ICICI Bank’s equity shares are listed in India on stock exchanges at Chennai, Delhi Kolkatta, Mumbai and the National Stock Exchange of India Limited.

Subsidiaries and Affiliate Companies: -

Consequent to the merger of ICICI with ICICI Bank, ICICI' subsidiary companies have become subsidiaries' of the bank. On March 31, 2002, ICICI Bank had eleven subsidiaries.

Principal subsidiaries: -

ICICI Securities and Finance Company Limited

ICICI Venture Funds Management Company Limited

ICICI Prudential Life Insurance Company Limited

ICICI Lombard General Insurance Company Limited.

ICICI Home Finance Company Limited.

Other subsidiaries: -

ICICI Brokerage Service Limited.

ICICI Securities Holdings Inc.

ICICI Securities Inc.

ICICI International Limited

ICICI Trusteeship Services Limited.

Affiliate companies: -

ICICI InfoTech Services Limited.

ICICI Web Trade Limited

ICICI One Source Limited

ICICI Securities And Finance Company Limited: -

The company was set up in 1993-94 to provide investment-banking services. It addresses the critical financial requirements of companies, governments and institutional investors advising on corporate strategy, capital structure and capital raising. It also acts as an advisor for mergers and amalgamations. It is primary dealer in the government securities market. The company has one subsidiary in India namely, ICICI Brokerage Service Limited and two Subsidiaries in the US, namely ICICI Securities Holding Inc. was corporated in 2000-01 to provide investment banking services to the investors in the US who wish to enter the Indian Financial market in the US. ICICI Securities Inc. was formed in 2000-01 to provide brokerage research and investment banking services to investors in the US who wish to invest in the Indian Financial market.

ICICI Venture Funds Management Company Limited: -

The company was set up in 1988 and specializes in making equity investments spanning a company's business lifecycle from Venture Capital (VC) to Private Equity (PE) with an ultimate aim of generating superior financial returns for its investors. It is the equity investment arm of ICICI Bank. It not only provides funds for financing of new business ventures or expanding privately held business ventures but also provides business skills. It is the oldest and most successful firm in India in both VC and PE investing.

ICICI Prudential Life Insurance Company Limited: -

The company was incorporated on July 20, 2000 and commenced its operations in January 2001. The principal Shareholders of the company are ICICI Limited (74 per cent) and prudential corporation holding limited (26 per cent). The Company's life insurance business comprises of non-linked participating non-linked non-participating annuities and linked policies. It has emerged as a leading private life insurer in India in a short span of 15 months since it commenced its operations.

ICICI Lombard General Insurance Company Limited: -

The company commenced its commercial operations on August 31, 2001. The principal shareholders are ICICI Limited (74 per cent) and Lombard Canada Limited (26 per cent). The company received the license on August3, 2001 from the Insurance Regulatory and Development Authority (IRDA) to undertake general insurance business.

ICICI Prudential Life Insurance Company Limited: -

The company commenced its operations in 1999-2000. It provides home loans and other related services. It was the first housing finance provider to introduce floating rate loans. It has expanded into fee-based property services for both corporate and retail customers.

ICICI Lombard General Insurance Company Limited: -

This company was incorporated in the Republic of Mauritius on January 18, 1996 as an Investment and Fund Management Company.

ICICI Investment Management Company Limited: -

This is an asset management company of ICICI Securities Fund, a mutual fund registered with SEBI.

ICICI Trusteeship Service Limited: -

The company's role is to serve as a trustee for enterprises transactions or arrangements of strategic or significant business importance to the ICICI Bank group.

Organization Structure of ICICI Bank: -

The organization structure is designed to support its business goals and is divided into five principal groups: retail banking, wholesale banking, project finance and special assets management, international business, and corporate centre.

Retail Banking: -

The retail business is the key driver of ICICI Bank's growth strategy; ICICI Bank is today a retail financial supermarket, selling an entire range of credit, investment products, and various banking services. ICICI Bank's retail portfolio (including the portfolio of ICICI Home Finance Company Limited, its wholly owned subsidiary) on March 31, 2002, was over Rs 76 billion as compared to the combined retail portfolio of ICICI and ICICI Bank of about Rs 29 billion on March 31, 2001. Its retail asset products include mortgages, automobile and two-wheeler loans, commercial vehicles and construction equipment financing, consumer durable loans, personal loans, and credit cards. ICICI Bank emerged as a leading player in the mortgages business and consolidated its position as market leader in automobile loans during 2001-02.

Wholesale Banking: -

Wholesale banking comprise corporate banking, treasury, structured finance, and credit portfolio management. ICICI Bank now focuses on working capital finance for highly rated clients, structured transactions, and channel financing. It offers structuring and advisory services for the public sector disinvestment process. It also offers transaction-banking services such as cash management and non-fund based facilities, including letters of credit and bank guarantees to increase market share in banking fees and commissions. The total volumes in cash management services have touched a new high of Rs 1.72 trillion during 2001-02. ICICI Bank provides internet banking business is organized into special relationship groups for the government and public sector, large corporate, emerging corporates, and agri business. ICICI Bank’s Structured Products and Portfolio Management Group have access to expertise in financial structuring and related legal accounting, and tax issues. This group actively supports business groups in designing financial products and solutions, and manages the asset portfolio by structuring portfolio buyouts and selldowns.

Treasury activities include management of liquidity and exposure to market risks, mobilization of resources from domestic and international financial institutions and banks, proprietary trading, and capital market and custodial service operations.

Project Finance and Special Assets Management: -

Project Finance activities include financing new projects as well as capacity additions in the manufacturing sector and structured finance to the infrastructure and oil, gas and petrochemicals sector. ICICI has developed considerable expertise in financing complex projects. Its role is not merely to provide finance but also to arrange and facilitate creation of appropriate financing structures that may serve as financing and investment vehicles for a wider range of market participants.

The Special Assets Management Group is responsible for large non-performing loans and accounts under watch.

International Business: -

The international Business Group is responsible for ICICI Bank's international operations as well as coordinating the international strategies and alliances of its subsidiaries and affiliates.

Corporate Centre: -

The corporate Centre comprises all shared services and corporate functions, including finance and secretarial investor relations, risk management, legal, human resources, corporate branding and communications. In 1998, ICICI introduced the new logo symbolizing a common corporate identify for the ICICI group.

ICICI also provides micro financial services to enable the poor to reduce their economic vulnerability and participate in the growth process. It provides basic services; include banking (saving and cash management), fianance (debt equity, and leasing) and insurance (life and health). ICICI's Rural Micro Banking Group is engaged in delivering micro finance to self-help groups of rural woman.

Summary: -

ICICI is India's best-managed financial institution, catering to the needs of different customers. It has successfully transformed itself from a single product company to a multi-group financial services group. The merger of ICICI and its two subsidiaries with ICICI Bank has led to the creation of the largest private sector bank in the country with a highly diversified asset base. ICICI has geared itself to compete effectively in the competitive world of commercial banking.

1.12 STATE INDUSTRIAL DEVELOPMENT CORPORATION: -

The State Industrial Corporations (SIDCs) were established under the Companies Act, 1956, as wholly owned undertakings of the state governments. They act as catalyst for the promotion and development of medium and large enterprises in their respective states/union territories. They act as nodal agencies of state governments for promotion of industrial growth and development of infrastructure facilities.

There are 28 SIDCs in the country. Of the 28 SIDCs, 11 also function as State Financial Corporations (SFCs) to provide assistance and act as promotional agencies for small and medium enterprises. These are in Andaman and Nicobar, Arunachal Prades, Daman and Diu and Dadra and Nagar Haveli, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Goa, Pondichery, and Sikkim.

SIDCs encourage setting up of projects in the joint/assisted sector in collaboration with private entrepreneurs. The competition among states to attract fresh investment has increased. SIDCs have undertaken to role of marketing their states as favorable investment destinations. To attract investment, SIDCs provide tax benefits under the state government's package scheme of incentives. SIDCs undertake a variety of promotional activities such as preparation of feasibility reports, conducting industrial areas/estates. Some SIDCs also offer a package of developmental services that include technical guidance, assistance in plant location and coordination with other agencies. SIDCs are also conduits of IDBI/SIDBI for operating their seed capital schemes. With a view to keeping pace with the changing environment, many SIDCs have diversified into new fee-based services and widened the scope of fund-based activities.

SIDCs extended financial assistance in the form of rupee lonas, underwriting and direct subscription to share/debentures, guarantees, inter-corporate deposits and also open letter of credit on behalf of their borrowers.

SIDC raise resources through refinance from IDB/SIDBI, the government, and banks. They can also borrow funds by way of issue of bonds/debentures. They also receive subsidies/incentives from government for disbursements. SIDCs accept deposits to meet their fund requirements.

SIDC come under the purview of the Department of Company Affairs. During 2000-01, financial assistance sanctioned and disbursed by SIDCs increased 29.9 per cent and 3.1 per cent respectively, as against a decline in sanctions and disbursements of 29.8 per cent and 25.8 per cent in 1999-2000 respectively.

Direct finance constitutes a major proportion of overall sanctions. The share project finance constitutes more than 50 per cent of the total direct finance.

Summary: -

The SIDCs act as catalysts for the promotion and development of medium and large enterprises in their respective states. They have a major development-banking role to perform in the states. With pressures and challenges of economic liberalization, they have not only to grow but they to maintain their financial health. They need to undertake a market-oriented approach without forgetting their developmental role.

1.13 STATE FINANCIAL CORPORATIONS: -

Following the enactment of the State Financial Corporations Act in 1951, State Financial Corporations (SFCs) were established in various states. They meet the financial requirements of small and medium enterprises.

Presently there are 18 SFCs operating in their resopective state or union territories, of which 17 were set up under the SFCs Act, 1951. Even before the SFCs Act came into force on August1, 1952, the Madras Industrial Corporation was already set up in 1949 under the Companies Act. It was later renamed as Tamil Nadu Industrial Investment Corporation Limited, which now functions as a State Financial Corporation (SFC). Punjab Financial Corporation was the first SFC to come into existence in February 1953, followed by SFCs, in Mumbai Kerela and West Bengal. A separate SFC for Gujarat was set up in May 1960 through bifurcation of the Bombay SFC. The SFCs in Delhi, Haryana and Himachal Pradesh were carved out of Punjab Financial Corporation in 1968.

Under the provisons of the SFCs Act, SFCs are authorized to raise resources by issue of capital, issue bonds and debentures guaranteed by the state governmens, accept medium-and long-term deposits from the public and borrow from other financial institutions. A majority of fund mobilization by SFCs is through refinance from SIDBI and IDBI.

The SFCs provide financial assistance by way of term loans, direct subscription to eqity/debentures, guaranteeing loans/deferred payments of industrial concerns, discounting of bills of exchange and seed/ special capital. The SFCs operate a number of schemes of refinance of refinance and equity-type assistance on behalf of IDBI/SIDBI. The operational policies of SFCs have been geared assist artisans, tiny village and small special target groups such as SC/ST, women ex-serviceman and physically handicapped.

The SFCs (Amendment Act, 2000), which became effective in September 2000, provides greater flexibility to the SFCs to cope with the challenges of economic liberalization strongly impacting the financial sector.

All the 18 SFCs come under the purview of Small Industries Development Bank of India (SIDBI). SIDBI has not stipulated any capital adequacy requirement or prudential for SFCs.

Summary: -

SFCs are facing stiff competition banks and other state level institutions. They need to restructure themselves to face this competition. The government of India has set up a committee headed by Shri G P Gupta, the ex-chairman and Managing Director, Industrial Development Bank of India, for looking into the functioning of SFCs and market recommendations for their restructuring and revitalization. As per the Gupta Committee Report, the net worth of 11 SFCs was negative. The capital adequacy ratio of 12 SFCs was negative while it was below 9 percent in case of three SFCs. The Gupta Committee estimated that Rs 2,04,468 crore is required for NPA provisioning for all the 18 NPAs. The recommendations are under consideration of the Central Government. For survival and growth, SFCs have to carve out a niche for themselves by specializing in financing and development of SSI sector.

1.14 CONCLUSION: -

There has been a paradigm shift in the role of development financial institutions. They are facing stiff competition from banks. ICICI Ltd. Transformed itself into a universal bank by merging with its subsidiary ICICI Bank Ltd. IDBI is in the process of converting itself into a universal bank. IFCI's Financial Institutions stood at deteriorated due to large NPAs. The Non-Performing Assets of select All India Financial Institutions stood at Rs 17,754 crore, which is 8.8 per cent to net loans at end-March 2002. Looking to these huge NPAs, one may argue that there is no need for development financial institutions. Even today with such a large asset base, our banking system is incapable of participating in project finance, which is the basic purpose why development financial institutions were set up. Development financial institutions will be needed to finance major projects in the country. They are best placed to extend long-terms loans, and moreover, they have acquired expertise in project appraisal. They will have to restructure themselves to perform this role effectively.

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CHAPTER – 2

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

"An Overview"

2.1 INTRODUCTION: -

The Small Industries Development Bank of India (SIDBI) was set up in 1990 under an Act of Parliament- the SIDBI Act, 1989. The charter establishing SIDBI envisaged SIDBI to be "the principal financial institution for the promotion, financing and development and development of industries in the small scale sector and to coordinate the functions of other institutions engaged in similar activities."

SIDBI commenced its operations on April 2, 1990, by taking over the outstanding portfolio and activities of IDBI pertaining to the small-scale sector. In pursuance of the SIDBI (Amendment) Act, 2000, and as approved by the Government of India, 51.1 per cent equity shares of SIDBI held by IDBI have been transferred to public sectors banks, LIC, GIC, and other institutions owned and controlled by the central government. Presently SIDBI has 35 banks, insurance companies, investment and financial institutions as its shareholders in addition to IDBI, which continues to hold 49 per cent share in SIDBI.

Business Domain of SIDBI: -

The business domain of SIDBI consists of small-scale industrial units, which contribute significantly to the national economy in terms of production, employment and exports. Small-scale industries are the industrial units in which the investment in plant and machinery does not exceed Rs.10 million. About 3.1 million such units, employing 17.2 million persons account for a share of 36 per cent of India's exports and 40 per cent of industrial manufacture. In addition, SIDBI's assistance flows to the transport, health care and tourism sectors and also to the professional and self-employed persons setting up small-sized professional ventures.

SIDBI Among Top 30 Development Banks of the World: -

SIDBI retained its position in the top 30 Development Banks of the World in the latest 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.

2.2 MISSION: -

SIDBI's Commitment: -

SIDBI is committed to developing a strong, vibrant and responsive small-scale sector. This commitment is to be achieved through a variety of means. Principal amongst them is finance. Alongside finance, SIDBI provides appropriate support in the form of promotional and developmental services. SIDBI has been built up as a financially sound, vibrant, forward looking and technically oriented institution and, it intends to sustain this orientation in future. SIDBI intends to provide quality services to its clients, devoid of any systemic and procedural difficulties.

Operational Emphasis: -

SIDBI in its operation strategy emphasis

- ❖ Enhancement in the flow of financial assistance to SSIs and
- ❖ Enhancement in the capabilities of SSIs at all levels with focus on adoption of improved and modern technology. The small industries sector in India is dominated by a large number of small units three micro enterprises require special nurturing SIDBI has been operating schemes like.
- ❖ Single window scheme
- ❖ Composite loan scheme

To ensure that financial assistance is male available to such units on easy terms and with hassle free procedures. It has been a molted of policy in SIDBI to identify the areas of gaps in credit delivery system and fill them through devising appropriate new scheme and implementing them in the last 9 years 26 new scheme have been introduced SIDBI’s assistance now covers.

- ❖ Equity
- ❖ Term Loan
- ❖ Working Capital
- ❖ For Inventory
- ❖ For raw material
- ❖ Through finance against bills

Receivables and for intangibles: -

The purpose for which SIDBI's assistance is provided includes new projects, expansion, and diversification technology up gradation, modernization duality improvement, environmental management, marketing and rehabilitation of sick SSIS.

Promotional Orientation: -

Beside financial SFDBI provide development and support service to SSIS under its promotional and development (P&D) schemes. The focus of such assistance is to ensure.

- Enterprise promotion
- Human resource development
- Technology up gradation
- Environment and quality management
- Information dissemination

The P&D initiatives of SIDBI have crystallized to over the years and are now oriented to serve rural entrepreneurs and youth particularly woman thorough programmers to empower to theme and motivate them to underrate entrepreneurial ventures.

Promotional and development activities: -

As on apex financial institution for promotion financing and development of industry in the small scale sector SIDBI meets the varied development needs of the Indian SSI sector by its wide ranging promotional and development P&D initiatives of the bank aim of improving the inherent strength of small scale on one hade as also economic development of poor through promotion of micro enterprises.

In pursuance of its multifaceted P&D captivity synergistic with its business activities aimed at development of the small industries SIDBI looks. Forward to a partnership with NGOs associates financial institutions corporate bodies P&D laboratories marketing agencies etc for national level programmers

SIDBI has identified the following thrust areas of P&D activities when are being undertaken in partnership with various institution agencies and NGOs.

Four Basic objectives are set out in the SIDBI Charter. They are: -

A. Financing

B. Promotion

C. Development

D. Coordination for orderly growth of the small-scale industrial sector.

Small-scale industries are the industrial units in which the investment in plant and machinery does not exceed Rs. 10 million. The small-scale sector, consisting of 3.1 million units, forms the backbone of the Indian economy, contributing to around 40 per cent of India's total manufacturing sector output, around 35 per cent of total exports and providing employment to nearly 19 million persons. The major issues hindering the growth of small scale industries are technology obsolescence, managing inadequacies, delayed payments, poor quality, incidence of sickness, lack of appropriate infrastructure, and lack of marketing network. This sector needs to be nurtured and provided strong support services for its long-term profitable growth. SIDBI tries to strike a balance between financing and providing support services for the development of small-scale sector.

As an apex institution SIDBI makes use of the network of the banks and state financial institution, which have retail outlets for coordinating the development of the small-scale sector. It has initiated a system of dialogue and obtaining feedback from the representatives of institutions of small-scale industries who are on the SIDBI's National Advisory Committee and Regional Advisory Committees. SIDBI has entered into Memorandums of Understanding (MOUs) with 18 banks, government agencies, international agencies development institutions, and industry associations to facilitate a coordinated approach for the development of the small-scale sector.

2.3 CHANNELS OF ASSISTANCE: -

SIDBI's assistance to the small-scale sector is channelised through 3 routes, viz.

1. Indirect Assistance
2. Direct Assistance
3. Development and Support Services

1. Indirect Assistance: -

By way of providing refinance to and rediscounting of bills of Primary Lending Institutions (PLIs) including banks and State level institutions which together have about 65,000 outlets in the country. In respect of some institutions, Line of Credit (LoC) is granted in lieu of refinance. To commercial banks and co-operative banks, Financial Support (Short Term Loan) - a refinance product, also is provided against their non-refinanced outstanding portfolio relating to SSI sector. The number of eligible PLIs for refinance is 894.

2. Direct Assistance: -

Dispensed through SIDBI's own branches numbering 38, through several tailor-made schemes targeting specific groups or activities benefiting SSIs.

3. Developments and Support Services: -

Loans, grants and corpus support are provided to Non-Government Organizations, technology institutions, management institutions, etc. to act as implementing agencies of the programmers of SIDBI. SIDBI has Memoranda of Understanding with research and development institutions, governmental organizations, international agencies and industry associations to foster such programmers.

Financial Products Offered by SIDBI: -

SIDBI offers a chain of financial product covering micro-finance, incubation, venture capital project finance, assistance for technology development and marketing of small scale industries products, export bills, finance, factoring, guarantees for loans, and so on SIDBI also provides support services such as training, market information, and advice for enhancing the inherent strength of small scale units.

2.4 PRODUCTS AND SERVICES: -

(A) Direct Finance Schemes: -

Objective: -

SIDBI had been providing refinance to State Level Finance Corporations / State Industrial Development Corporations / Banks etc., against their loans granted to small-scale units. Since the formation of SIDBI in April 1990 a need was felt/ representations were made that SIDBI being the principal financial institution for the small sector, should take up the financing of SSI projects directly on a selective basis. So it was decided to introduce direct assistance schemes to supplement the other available channels of credit flow to the small industries sector. Since then, SIDBI has evolved itself into a supplier of a range of products and services to the Small & Medium Enterprises [SME] sector.

1. Credit Linked Capital Subsidy (CLCSS): -

Purpose: -

The objective of the scheme is to facilitate technology upgradation of tiny and SSI units in the specified products / sub-sectors as indicated below by providing12% capital subsidy for induction of proven technologies approved under the scheme, viz., leather and leather products including footwear and garments; food processing (including Ice-cream manufacturing);Information and Technology (Hardware); drugs and pharmaceuticals; auto parts and components; electronic industry particularly relating to design and measuring; glass and ceramic items including tiles; dyes and intermediaries; toys; tyres; hand tools; bicycle parts; foundries - ferrous and cast iron; and stone industry(including Marble Mining Industry).

Cap on amount of subsidy: -

Sl. No.	Existing investment limit	Maximum ceiling of loan eligible for subsidy*	Maximum subsidy available under the scheme
1	Tiny units with investment in plant and machinery less than Rs.10 lakh	Rs.8 lakh	Rs. 0.96 lakh
2	Tiny units with investment in plant and machinery between Rs.10 lakh and Rs.25 lakh	Rs.20 lakh	Rs. 2.40 lakh
3	SSI units with investment in plant and machinery above Rs.25 lakh	Rs.40 lakh	Rs. 4.80 lakh

- The eligible subsidy would be calculated on the actual loan amount or maximum ceiling on loan eligible for subsidy, whichever is lower

Eligible Borrowers: -

a) Existing SSI units registered with the State Directorate of Industries, which upgrade with the state-of-the-art technology, with or without expansion.

b) New SSI units which are registered with the State Directorate of Industries and which set up their facilities only with the appropriate eligible and proven technology duly approved by the GTAB.

Eligible Primary lending institutions: -

Scheduled commercial banks and National Small Industries Corporation (NSIC) and State Financial Corporations (SFCs).

Definition of Technology Upgradation: -

Technology upgradation would ordinarily mean induction of state-of-art or near state-of-the-art technology. It would also include installation of improved environmental conditions, including work environment for the unit, installation of improved packaging techniques,anti-pollution measures and energy conservation machinery.

Duration of the Scheme: -

The scheme will be in operation for a period of five years from October 1, 2000 to September 30, 2005, or till the time sanctions of capital subsidy by the nodal agency reach Rs.600 crore, whichever is earlier.

2. Scheme for Development of Industrial Infrastructure for SSI Sector (DII): -

Purpose: -

Setting up of industrial estates / development of industrial areas including such projects found eligible under KVIC model.

Strengthening of existing industrial clusters / estates by providing increased amenities for smooth working of the industrial units. Setting up of warehousing facilities for SSI products / units.

Providing support services viz., common utility centres such as convention halls, trade centres, raw material depots, warehousing, tool rooms / testing centres, housing for industrial workers, etc. Any other infrastructural facilities which will benefit predominantly SSI units / entrepreneurs.

Eligible Borrowers: -

All forms of organisations such as Public / Pvt. Ltd. Companies; Registered Societies / Trusts; Government Corporations; Corporates / Co-operative entities / accredited NGOs approved by KVIC.

Norms: -

- Cost of Project: Not to exceed Rs.100 million.
- Debt Equity Ratio: Not more than 3:1
- Repayment Period - Not exceeding 10 years including initial moratorium period of upto 3 years.

3. Equipment Finance Scheme (EFS): -

Purpose: -

For acquisition of machinery / equipment, including DG set, both indigenous and imported which are not related to any specific project. Additional need based civil work at existing location, miscellaneous fixed assets, additional margin money for working capital may also be considered.

Eligible Borrowers: -

Existing units in SSI sector with good track record of performance and sound financial position. They should have been in operation for at least three years and have earned profits and / or declared dividend during two years preceding to taking up the scheme. The units should not be in default to institutions / banks in payment of dues.

Norms: -

Requirement of loans should not be less than Rs.50 Lakh. The limits in respect of SIDBI Offices located in Eastern Region, North Eastern Region, Aurangabad, Dehradun, Jammu, Nagpur, Pondicherry, Raipur, Shimla, Varanasi and Visakhapatnam shall be Rs.25 Lakh.In case of finances for DG set alone, loan requirement should not be less than Rs.5 Lakh.Debt Equity Ratio - Not more than 2:1 for the project and not more than 1.5:1 for the company. Repayment - 5 years including moratorium upto 12 months.

4. Fast Track Financing Scheme (FTFS): -

Objective & Purpose: -

Under normal financing schemes of Financial Institutions (FIs) and Banks, units having specific requirements of additional equipment, plant and machinery need to approach FIs/Banks with a list of such machinery together with cost benefit analysis thereof to seek sanction/disbursement of additional loan(s). This necessitates advance estimates of the requirements of the unit for possible assistance and a complete appraisal by the FI / Bank. Most of the SSI units are not able to envisage these requirements in advance. However, it is observed that well run SSI units acquire additional equipment, plant and machinery as and when required by them by arranging temporary funds at high costs or by diverting their working capital to meet their immediate requirements of either executing certain bulk orders or for meeting capital expenditure for marginal expansion and / or modernisation of technology. The funds may also be required for augmenting Working Capital and for construction of need based additionalshed/factory/building.

If such well run units having impeccable track record of satisfactory performance and repayment are identified by SIDBI from its existing clientele, then a fast track financing scheme could be offered to them for meeting such requirement.

Eligible Borrowers: -

Existing assisted units of SIDBI in the SSI sector satisfying the following requirements: -

- **Essential: -**
  - i. Unit in existence for 5 years and making profits and having a satisfactory track record with SIDBI.
  - ii. Borrower to have a Debt Equity Ratio (after the proposed borrowing) of not more than 2: 1.
  - iii. Atleast 25% of the additional fund requirement to be arranged as promoters' contribution.
  - iv. The term loan to be made available for acquiring specific identifiable equipment (including on reimbursement basis), additional working capital as a result thereof and need based civil

construction. Acquisition of additional land will not be eligible for assistance under the scheme.

v. The borrower or any of its associate concerns to be not in default to any bank / FI.

- **Desirable: -**
  i. The average annual turnover for last 3 years to be around Rs. 3 crore.
  ii. The borrower to have been enjoying a limit of around Rs.50 lakh from a scheduled commercial bank.
  iii. Preferably having a corporate constitution.

Units graduating to medium scale shall also be eligible subject to certain conditions.

Nature of Assistance: -

The assistance would be in the form of a Term Loan Limit ("Limit") valid for one year. This could be in the form of Rupee / foreign currency or both.

Quantum of Assistance: -

Based upon the financial position and operations of the unit, an annual Limit would be sanctioned. The minimum and maximum amount of Limits under the Scheme for a period of one year could be between Rs. 25 lakh and Rs. 200 lakh respectively.

Terms and Conditions: -

i. **Rate of Interest**
As per prevailing interest rate structure of SIDBI announced from time to time.

ii. **Upfront Fee**

Non-refundable upfront fee of 0.5% of the Limit.

iii **Repayment Period**

3 to 5 years including an initial moratorium not exceeding 6 months.

Security: -

- ❖ First charge by way of hypothecation of the equipment / stocks / assets covered under the Scheme in favour of SIDBI.
- ❖ Extension of charge on existing securities available with SIDBI in respect of earlier loans granted to the unit.
- ❖ Personal Guarantee of the promoters / directors.

5. Integrated Infrastructural Development (IID): -

Purpose: -

For setting up of IID centres with facilities like water supply, power, telecommunication, common services centre including for technological back up services for small scale industries in rural backward areas as envisaged under the policy for promoting and strengthening small, tiny village enterprises announced by Govt. of India (GOI) on August 6, 1991.

The cost of improving / upgrading the deficient infrastructural facilities to increase the productivity and optimum utilisation of the existing centres / clusters in backward / rural areas may also be covered under the scheme.

Eligible Borrowers: -

Implementing agencies (a public sector corporation or a corporate body or a good NGO having sound financial position) entrusted with the task of implementing the scheme by the concerned State / Union Territory (UT) Govt.

Norms: -

- Selection of IID centre should be preceded by a comprehensive industrial potential survey of the area.
- Suitable land would be provided by State / U.T. Govt. cost of which may be recovered from implementing agencies. Normally, agricultural land may not be used for setting up of an IID centre.
- The size of IID centre would be about 15 to 20 hectares. The centre should provide for various facilities like water supply, power, telecommunication, effluent treatment etc.
- The ceiling on project cost is Rs.50 million. Cost in excess of Rs.50 million may be met by State / UT Govt. Cost of Rs.50 million to be financed by Grant from Govt. of India (GoI) Rs.20 million and loan from SIDBI, from any other bank / FI of Rs.30 million. In case of North-Eastern Region, the amount of Grant from GoI and loan from SIDBI, from any other bank / FI would be Rs.40 million and Rs.10 million respectively.

6. ISO 9000 Scheme (ISO 9000): -

Purpose: -

To meet the expenses on consultancy, documentation, audit, certification fee, equipment and calibrating instruments required for obtaining ISO 9000 certification.

Eligible Borrowers: -

Existing industrial concerns in the SSI sector having a good record of past performance and sound financial position. The objective is to promote quality / management systems in SSI units with a view to strengthening their marketing and export capabilities.

Norms: -

- Loan Limit - need based.
- Debt equity ratio not more than 2:1 for the borrowing concern.

- ❖ Repayment - maximum 5 years including an initial moratorium upto 12 months.

7. Project Finance Scheme (PFS): -

Purpose: -

a) For setting up new SSI units; preference will be given to units with export orientation, import substitution, hi-tech and those promoted by entrepreneurs with a good track record.

b) Modernisation, technology upgradation, diversification and expansion of existing well run units in the SSI sector.

c) For setting up of small hotels and other tourism related activities as well as hospitals & nursing homes.

Eligible Borrowers: -

New or existing SSI concerns. They should be, generally, at least private limited companies. Units graduating to medium scale are also covered subject to certain conditions.

Norms: -

- ❖ Term loan not less than Rs.50 lakh irrespective of the location of the office.

8. Tannery Modernisation Scheme (TMS): -

Purpose: -

The objective of the scheme is to support existing tanneries for undertaking modernisation programme for positive environmental impact, becoming competitive, effecting better capacity utilisation, achieving productivity gains and reducing wastage, etc.

Eligible Borrowers: -

Sole Proprietorships, Partnerships, Co-operative Societies, Private and Public Limited Companies

Norms: -

- Government of India (GoI) has launched Tannery Modernisation Scheme (TMS) on January 18, 2000. The scheme will intially be in operation from 1999-2000 to 2000- 2002.
- Promoter's contribution: As required to arrive at the Applicable DER based on the amount of the loan

  Debt Equity Ratio: For loans upto Rs 10 lakh - upto 3:1

  For loans above Rs 10 lakh - upto 2:1

  Quantum: Assistance limited to 30 % of the cost of plant and machinery for SSI and 20 % for Non-SSI, subject to cieling of Rs 28 lakh and Rs 35 lakh, respectively.

9. Technology Developments and Modernisation Fund Scheme (TDMFS): -

Purpose: -

a) For purchase of capital equipment, need-based civil works and acquisition of additional land and need based additional margin money for working capital.

b) Acquisition of technical know-how, designs, drawings and fashion forecast where considered relevant to specific product group.

c) Upgradation of process technology and products with thrust on quality improvement comparable with acceptable domestic and international standards.

d) Improvement in packaging; and

e) Cost of TQM and acquisition of ISO 9000 Series Certification.

Eligible Borrowers: -

Existing units in SSI sector which go in for modernisation / technology upgradation. They should have been in operation for at least three years. The units should not be in default to institutions / banks in payment of dues. Units graduating out of SSI sector are also eligible subject to certain conditions.

Norms: -

Assistance by way of term loan in rupee currency or foreign currency. In select cases SIDBI may consider participating in equity also depending upon the exit route available to SIDBI for disinvestment in due course. Minimum amount of assistance should be Rs.10 Lakh per unit. Repayment - maximum 5 years including initial moratorium upto one year

10. Technology Up gradation Fund Scheme for Textile Industries (TUFS): -

Purpose: -

TUFS has been launched with a view to sustaining as well as improving the competitiveness and overall long-term viability of the textile sector. The scheme intends to provide timely and adequate capital at internationally comparable rates of interest in order to upgrade the textile industry's technology level

Special Features: -

The borrower can either avail 12% credit linked subsidy or 5% interest reimbursement on the interest actually charged in respect of rupee loan. The scheme also provides for coverage of exchange rate fluctuation not exceeding 5% p.a. from the base rate or cost of forward cover premium upto 5% p.a. on the base rate of exchange in respect of foreign currency loan.

Eligible Borrowers: -

SSI units in the Textile sector and Cotton Ginning and Pressing sector. SSI units graduating out of the sector after implementation of the Scheme would also be covered.

Loan Limit: -

Amount of term loan shall be need based but not below Rs.10 Lakh. For SSI units graduating out of the sector, the amount of loan shall be decided on a case-to-case basis.

Minimum Promoters' Contribution: -

20 per cent of the project cost for rupee term loan.

33.33 per cent of the cost of project for foreign currency term loan

11. Vendor Development Scheme (VDS): -

Purpose: -

To encourage SSI vendors / sub contracting units to acquire capital equipment, as also the requisite technology (including know how, designs, drawings, etc) for building up of export capabilities / import substitution including the cost of TQM and acquisition of ISO 9000 series certification and for expansion of capacity inclusive of need based additions / modifications to existing building and additional margin money for working capital requirement for execution of bulk orders etc.

Eligible Borrowers: -

Registered new or existing well-run SSI vendor units. Preference will be given to limited companies. Registered partnership / proprietary concerns with good track record may also be considered selectively

Norms: -

- Requirement of loan should not be less than Rs.5 Lakh per unit.
- Debt Equity Ratio - Not more than 2:1
- Promoters' contribution - minimum 20%.
- Term loan in Rupee / Foreign currency. Direct subscription to equity if outlay more than Rs.1 Crore and clear exit route available.

12. Working Capital Term Loan (WCTL): -

Purpose: -

To help SSI units in starting their commercial production without difficulty and during their upscaling of operations. All the assisted units of SIDBI covered under the proposed scheme shall, however, be required to eventually switch over to commercial banks within a reasonable time frame (say 3-5 years) for meeting their regular working capital requirements.

Eligible Borrowers: -

New or existing SSI units whether or not assisted by SIDBI including units graduating to medium scale.

Norms: -

- The venture outlay (i.e. project cost + working capital) should be beyond Rs.1 Crore and upto Rs.3 Crore. Lower ceiling may be considered in respect of units assisted under SIDBI's schemes viz., ancillary, TDMFS, ISO 9000, Vendor Development, Marketing Equipment finance Scheme etc.
- Debt Equity Ratio - Not exceeding 2:1 for total venture outlay.

(B) Bills Finance Schemes: -

Objective: -

- Bills Finance Scheme involves provision of medium and short-term finance for the benefit of the small-scale sector. Bills Finance seeks to provide finance, to manufacturers of indigenous machinery, capital equipment, components sub-assemblies etc, based on compliance to the various eligibility criteria, norms etc as applicable to the respective schemes.
- To be eligible under the various bills schemes, one of the parties to the transactions to the scheme has to be an industrial unit in the small-scale sector within the meaning of Section 2(h) of the SIDBI Act, 1989.

- ❖ The various sub schemes that have been introduced are as listed on the menu, on the left.

1. Direct Discounting Scheme – Equipment (DDS-E): -

Purpose: -

To enable manufacturers - sellers in SSI sector / selling agents to offer deferred payment terms for credit sales and realise sale proceeds by discounting bills of exchange / promissory notes arising out of such sales.

Eligibile Borrowers: -

Limits are sanctioned by SIDBI to well established concerns / corporate bodies buying machinery / capital equipment from SSI units. Limits are also sanctioned to well-established SSI manufacturers – sellers

Norms: -

- ❖ Usance of Bills - Normally 3-5 years
  Minimum transaction value - Rs.1, 00,000

2. Direct discounting Scheme – Components (DDS-C): -

Purpose: -

To enable SSI units selling components, parts, etc., to realise the sale proceeds quickly.

Eligibile Borrowers: -

Limits are sanctioned by SIDBI to well established industrial units using components / parts / sub-assemblies / accessories manufactured by SSI units. Direct seller-wise limits can also be considered for established SSI units.

Norms: -

- ❖ Unexpired usance - Not more than 90 days

3. Bills Rediscounting Scheme – Equipment (BRS-E): -

Purpose: -

For sale / acquisition of machinery on deferred payment terms for setting up of new SSI units as also for expansion, diversification, modernisation, replacement, addition of balancing equipment etc.

Eligibile Borrowers: -

Manufacturer-sellers / purchaser-users of indigenous machinery / capital equipment one of whom should be in the small scale sector

Norms: -

- ❖ Scheme operated through scheduled commercial banks.
  Usance of Bills - Normally 2-5 years.

4. Bills Rediscounting Scheme – Inland Supply Bill (ISB): -

Purpose: -

To encourage bills culture as a method of working capital financing so as to ensure timely payment. Trade bills arising out of supply of goods by SSI units and discounted with commercial banks either by the drawer (seller) or the drawee (buyer) are rediscounted by the banks with SIDBI.

Eligible Borrowers: -

SSI suppliers

Norms: -

- ❖ Scheme operated through scheduled commercial banks
  Unexpired usance - Not more than 90 days.

(C) Refinance Schemes: -

OBJECTIVE: -

Refinance scheme is introduced for catering to the need of funds of Primary Lending Institutes for financing small-scale industries. Under the scheme, SIDBI grants refinance against term loans granted by the eligible to industrial concerns for setting up industrial projects in the small scale sector as also for their expansion/ modernization/ diversification.

Term loans granted by the PLIs for other specified eligible activities/purposes are also eligible for refinance.

BANKS Type of PLI

BANKS Type of PLI	Revised Ceiling [RS. Lakh]
Scheduled Commercial Banks and State Co-operative Banks	300
Other Co-operative Banks / Urban Co-operative Banks	50
Regional Rural Banks	20

Type of PL SFCs, SIDCs and TFIDCs Category [Amount in Rs. lakh]

Type of PLI	SFCs, SIDCs and TFIDCs Category [Amount in Rs. lakh]		
	A	B	C
SFC	500*	500*	500
SIDC	400	250	150
TFIDC	240	150	100

* The limit of accommodation per individual borrower can be enhanced to Rs.1000 lakh with prior approval of SIDBI.

AUTOMATIC REFINANCE SCHEMES: -

- ARS is available to all eligible banks.
- The objective of ARS is to expedite the flow of assistance under refinance scheme.

- ❖ Schemes covered under ARS - Composite Loan Scheme (CLS), Single Window Scheme (SWS), Refinance for Small Road Transport operators (SRTOs), Refinance Scheme for Technology Development and Modernisation (RTDM), Refinance Scheme for Acquisition of ISO series Certification, by SSI unit (RISO 9000), Refinance Scheme for Rehabilitation of Sick Industrial Units (RSR), Relief refinance Scheme (RRS), National Equity Scheme (NEF), Mahila Udyam Nidhi (MUN) and General Refinance Scheme (GRS).
- ❖ SIDBI does not carry out any appraisal of the proposal and completely relies on the scrutiny carried out by Primary Lending Institutions.
- ❖ Ceiling on refinanceable amount under ARS is as follows: -

Type of PLI

Type of PLI	Ceiling
Scheduled Commercial Banks	200
State Co-operative Banks / Urban Co-operative Banks	50
Other Co-operative Banks / Regional Rural Banks	20

NORMAL REFINANCE: -

- ❖ NRS is available to all eligible banks.
- ❖ All eligible proposals over and above the ceiling mentioned in ARS are covered under NRS
- ❖ Schemes covered under NRS - Single Window Scheme (SWS), Refinance Scheme for Rehabilitation of Sick Industrial Units (RSR), National Equity Scheme (NEF) and General Refinance Scheme (GRS).
- ❖ SIDBI carries out re-appraisal of proposals submitted under NRS based on the appraisals done by the PLIs.

LINE OF CREDIT (LOC): -

- ❖ Line of Credit is available to all eligible financial institutions.
- ❖ The objective of LOC is to provide a consistent credit facility to all eligible financial institutions.

- ❖ Schemes covered under LOC - Composite Loan Scheme (CLS), Single Window Scheme (SWS), Refinance for Small Road Transport operators (SRTOs), Refinance Scheme for Technology Development and Modernisation (RTDM), Refinance Scheme for Acquisition of ISO series Certification by SSI unit (RISO 9000), Refinance Scheme for Rehabilitation of Sick Industrial Units (RSR), Relief refinance Scheme (RRS), National Equity Scheme (NEF), Mahila Udyam Nidhi (MUN), Self Employment for Ex-servicemen Scheme (SEMFEX) and General Refinance Scheme (GRS).
- ❖ SIDBI does not carry out any appraisal of the proposal and completely relies on the scrutiny carried out by Primary Lending Institutions.

1. Refinance Scheme for Acquisition of ISO series Certification by SSI unit (RISO 9000): -

Purpose: -

Expenses on consultancy, documentation, audit, certification fees, equipment and calibrating instruments required would be taken into account for determining the loan requirement

Eligible Borrowers: -

Existing industrial concerns in the SSI sector having a good record of past performance and sound financial position. The concerns should: -

a) Have been in operation for a period of at least two years;

b) Have earned profit and / or declared dividend during the preceding two financial years; and,

c) Not be in default to institutions / banks in payment of their dues

Norms: -

- ❖ Scheme operated through all eligible Primary Lending Institutions except Regional Rural Banks

2. Composite Loan Scheme (CLS): -

Purpose: -

Assistance for equipment and/or working capital as also for work Sheds

Eligible Borrowers: -

Artisans, village and cottage industries and small industries in tiny sector

Norms: -

- Loan Limit - Not to exceed Rs.2.5 million

3. Credit Linked Capital Subsidy Scheme for Technology Upgradation of Small Scale Industries (CLCSS): -

Purpose: -

The objective of the scheme is to facilitate technology upgradation of tiny and SSI units in the specified products / sub-sectors as indicated below by providing12% capital subsidy for induction of proven technologies approved under the scheme, viz., leather and leather products including footwear and garments; food processing (including Ice-cream manufacturing);Information and Technology (Hardware); drugs and pharmaceuticals; auto parts and components; electronic industry particularly relating to design and measuring; glass and ceramic items including tiles; dyes and intermediaries; toys; tyres; hand tools; bicycle parts; foundries - ferrous and cast iron; and stone industry(including Marble Mining Industry).

Eligible Borrowers: -

Eligible Primary lending institutions

- Existing SSI units registered with the State Directorate of Industries which upgrade with the state-of-the-art technology, with or without expansion.

- New SSI units which are registered with the State Directorate of Industries and which set up their facilities only with the appropriate eligible and proven technology duly approved by the GTAB.
- Scheduled commercial banks and National Small Industries Corporation (NSIC) and State Financial Corporations (SFCs) Definition of Technology Upgradation Technology upgradation would ordinarily mean induction of state-of-art or near state-of-the-art technology. It would also include installation of improved environmental conditions, including work environment for the unit, installation of improved packaging techniques, anti-pollution measures and energy conservation machinery. Duration of the Scheme The scheme will be in operation for a period of five years from October 1, 2000 to September 30, 2005, or till the time sanctions of capital subsidy by the nodal agency reach Rs.600 crore, whichever is earlier.

4. General Refinance Scheme (GRS): -

Purpose: -

For setting up new small scale units or expansion, modernisation, diversification etc. of existing units and for all activities eligible for assistance under the scheme including professional practice/consultancy venture and service sector units such as tourism related activities / hospitals / nursing homes / polyclinics / hotels / restaurants / marketing and industrial infrastructural projects.

Eligible Borrowers: -

All forms of organisations in the small-scale sector (i.e., proprietary, partnership, company, co-operative society) etc. For infrastructure development - All forms of organisations such as public/ pvt ltd. cos., partnerships, sole proprietary, and municipalities, SIDCs.

Norms: -

- ❖ Scheme operated through SFCs/SIDCs/banks.
- ❖ Cost of project in respect of service sector units not to exceed Rs.200 million for banks and as prescribed by IDBI/SIDBI for SFCs/SIDCs.

5. Mahila Udyam Nidhi (MUN): -

Purpose: -

To meet gap in equity

Eligible Borrowers: -

Women entrepreneurs for setting up new projects in tiny / small-scale sector and rehabilitation of viable sick SSI units. Existing tiny and small scale industrial units & service enterprises [tiny enterprises would include all industrial units and service industries (except Road Transport Operators) satisfying the investment ceiling prescribed for tiny enterprises] undertaking expansion, modernisation technology upgradation & diversification can also be considered.

Norms: -

- ❖ Scheme operated through SFCs / twin function SIDCs / Scheduled Commercial Banks / Select Urban Co-operative Banks
- ❖ Cost of Project - Not to exceed Rs.1 million
- ❖ Soft Loan limit - 25% of cost of Project subject to a maximum of Rs.2, 50,000 per project.
- ❖ Service charges - 1% p.a. on soft loan

6. National Equity Fund Scheme (NEF): -

Purpose: -

To meet gap in prescribed minimum promoters' contribution and/or in equity

Eligible Borrowers: -

Small entrepreneurs for setting up new projects in tiny / small-scale sector and rehabilitation of potentially viable sick SSI units irrespective of the location. Existing tiny and small scale industrial units and service enterprises [tiny enterprises would include all industrial units and service industries (except Road Transport Operators) satisfying the investment ceiling prescribed for tiny enterprises] undertaking expansion, modernisation, technology upgradation and diversification can also be considered irrespective of the location.

Norms: -

- Scheme operated through SFCs / twin function SIDCs / Scheduled Commercial Banks / Select Urban Co-operative Banks
- Cost of project - Not to exceed Rs.5 million
- Soft Loan limit - 25% of cost of project subject to a maximum of Rs.10, 00,000 per project.
- Service Charges - 5% p.a. on soft loan

7. Refinance Scheme for Rehabilitation of Sick Industrial Units (RSR): -

Purpose: -

For providing assistance for rehabilitation of potentially viable sick units

Eligible Borrowers: -

Potentially viable SSI units including units in cottage and village industries and in tiny sector, conforming to definition of sick SSI unit as prescribed in RBI guidelines. The assistance is meant for sick SSI units for which proper rehabilitation packages have been drawn up. Units eligible for rehabilitation assistance should be capable of being restored to normal health within a reasonable time.

Norms: -

- Scheme operated through

8. Self Employment for Ex-Servicemen Scheme (SEMFEX): -

Purpose: -

For setting up small industrial projects including service industries and specified transport activities, which are eligible for finance as per SSI norms

Eligible Borrowers: -

Ex-servicemen (including widows of ex-servicemen) sponsored by Director General (Resettlement), Ministry of Defence, Government of India

Norms: -

- Scheme operated through SFCs / twin function IDCs Cost of project - Not to exceed Rs.1.5 million
- Soft Loan Limited - To meet gap in equity subject to a maximum of Rs.2, 25,000 per project
- Service Charges - 1% p.a. during moratorium period; thereafter, interest @ 6% p.a. on soft loan

9. Single Window Scheme (SWS): -

Purpose: -

To provide both term loan for fixed assets and loan for working capital through the same agency. The total working capital requirement of such units inclusive of all fund based facilities may be taken into account for determining the working capital facility eligible for refinance

Eligible Borrowers: -

Entrepreneurs setting up new projects in SSI / tiny sector, new promoters acquiring unencumbered fixed assets of existing SSI concerns from PLIs, as also existing well run units undertaking modernisation / technology upgradation and potentially viable sick units undertaking rehabilitation scheme

Norms: -

- ❖ Scheme operated through SFCs / twin function IDCs / scheduled commercial banks / eligible state co-operative banks / scheduled urban co-operative banks
- ❖ Term Loan - Not to exceed Rs.20 million

10. Refinance for Small Road Transport Operators (SRTOS): -

Purpose: -

To meet expenditure towards cost of chassis, body building, initial taxes/ insurance and working capital. Second-hand vehicles are not eligible for assistance

Eligible Borrowers: -

Small road transport operators

Norms: -

- ❖ Loan limit - Need based
- ❖ (20 vehicles per operator including existing vehicles)

11. Refinance Scheme for Technology Development and Modernisation (RTDM): -

Purpose: -

Assistance under the scheme would be available for meeting the expenditure on: -

a) Purchase of capital equipment, need based civil works and acquisition of additional land

b) Acquisition of technical know-how, designs, drawings and fashion forecast where relevant to specific productgroup

c) Upgradation of process technology and products with thrust on quality improvement comparable with acceptable domestic and international standards

d) Improvement in packaging

e) Cost of TQM and acquisition of ISO 9000 series certification

f) Need based additional / incremental margin money for working capital

Eligible Borrowers: -

Sole Proprietorships, Partnerships, Co-operative Societies, Private and Public Limited Companies

Norms: -

- Scheme operated through all eligible Primary Lending Institutions except Regional Rural Banks Project outlay - Not to exceed Rs.10 million Preliminary and pre-operative expenses shall not be covered as a part of the cost of the project

12. Refinance Scheme for Textile Industry Industry Under Technology Upqradation Fund (RTUF): -

Purpose: -

Assistance under the scheme would be available for installation of specified types of machinery (to fall in line with definition laid down by Government of India (GOI) for technology upgradation) in a new unit or in an existing unit by way of replacement of existing machinery and / or expansion will be eligible for coverage under RTUF scheme (details of list of machinery are furnished in Section 4 of Technology Upgradation Fund Scheme booklet issued by (GOI)

i] The following investments will also be eligible to the extent necessary for the plant and equipment to be installed for Technology Upgradation and the total of such investments will not normally exceed 25% of the total investment in such plant and machinery:

a) Land and factory building including renovation of factory building and electrical installations

b) Energy saving devices

c) Effluent treatment plant (ETP)

d) Water treatment plant for captive industrial use

e) Captive power generation

ii] Investments in the installation of the following facilities including necessary equipment:

a) In-house R & D including designs studio

b) Information Technology including ERP.

c) Total quality management including adoption of appropriate ISO/BIS standards.

iii] I nvestment in the acquisition of technical know-how.

Lending in excess of the limits prescribed above in respect of these items will attract the normal lending rates. Investments in common infrastructure facilities owned by the association, trust or co-operative society of the units participating in the RTUF scheme, to the extent necessary for this purpose, including the following:

i) Common utilities, viz. water supply, power substation, etc

ii) Common captive power generation

iii) Common effluent treatment plant

Any additional investments would attract the normal lending rates

Eligible Borrowers: -

Sole Proprietorships, Partnerships, Co-operative Societies, Private and Public Limited Companies in the textile and cotton ginning and pressing industries. The textile industry comprises the following activities:

a) Silk reeling and twisting,

b) Wool scouring and combing,

c) Synthetic filament yarn texturising, crimping and twisting,

d) Spinning,

e) Viscose filament yarn (VFY),

f) Weaving, knitting including non-wovens, fabric embroidery and technical textiles,

g) Garment/ made-up manufacturing,

h) Processing of fibres, yarns, fabrics, garments and made- ups

Norms: -

- The scheme would be in operation for a period of five years from April 1, 1999 to March 31, 2004.
- Refinance from SIDBI is not compulsory (except for State Co-opeative Banks and other Scheduled Co-operative Banks). However, where refinance is availed from SIDBI such proposals shall conform to norms and paramaters stipulated by SIDBI, in addition to the guidelines prescribed by Government of India (GOI).
- Amount of loan - need based
- Promoters' contribution - Minimum 20% of the project cost
- DER - Shall not be more than 2: 1 for the unit as a whole
- Further details are furnished in Technology Upgradation Fund Scheme booklet issued by GOI.

(D) International Finance Schemes: -

Objective: -

The main objective of the various International Finance schemes is to enable small-scale industries to raise finance at internationally competitive rates to fulfil their export commitments. The financial assistance is being offered in USD and Euro currencies. Assistance in Rupees is also considered, independent of foreign currency limits. SIDBI has a license to deal in foreign exchange as a **"restricted"** Authorised Dealer (i.e. SIDBI confines its foreign exchange activities only to its own exposures and to exposures for its customers.

The Mumbai Head Office (MHO) of SIDBI operates as a Category 'A' branch that maintains foreign currency positions, nostro account with foreign correspondent banks and provides cover to other branches (Category 'B' branches) that carry out forex business.

It has a Dealing Room at Mumbai that acts as a central service provider to all branches.

1. Booking of Forward Contract (BFC): -

Purpose: -

To provide SIDBI's clients with the facility of hedging of foreign exchange risks related to their import / export transactions.

Eligibile Borrowers: -

Assisted borrowers having exposure in foreign currency.

Norms: -

Amount - Minimum of USD 25,000 or equivalent. However Forward Contracts for lesser amounts may be considered on case-to-case basis. Charges - As per FEDAI guidelines. Currency - Presently can be booked in USD / EURO / JPY

2. Foreign Currency Term Loan Scheme (FCTL): -

For acquisition of fixed Assets

- FCTL will be extended in USD & Euro currencies.
- Rate of interest - USD: 3% over 6 Month LIBOR
- EURO: 2.5% over 6 Month LIBOR

Purpose: -

For setting up new projects as well as for expansion, diversification, technology upgradation and modernisation of existing units with good track record covering both indigenous and imported. The units should preferably be export-oriented.

Eligible Borrowers: -

Industrial concerns in the small-scale sector.

Norms: -

- ❖ Repayment - maximum 5 years with a moratorium of 1 year, linked to the cash flow of the unit.

3. Line of Credit Foreign Currency (LOCFC): -

Purpose: -

For providing resource support to institutions/banks for extending export and domestic credit to SSI units, Government recognised Export Houses / Trading Houses sourcing their requirements from SSIs.

Eligible Borrowers: -

All Commercial bank in private and public sector and approved factoring companies.

Norms: -

- ❖ Currency - USD / EURO
- ❖ Amount - Need based
- ❖ Validity - One year or shorter period from the date of sanction
- ❖ Rate of interest - Market related spread over 6 Month LIBOR.

4. Opening of Foreign Letters of Credit (FLC): -

Purpose: -

To enable small-scale industries to import capital equipment for new projects, expansion, diversification, technology upgradation and modernisation of existingunits.

To enable import of raw materials, consumables etc. by SSI units and Export / Trading Houses sourcing their requirements for export from SSIs

Eligibile Borrowers: -

Industrial concerns in the small-scale sector and Export / Trading Houses sourcing their requirements from SSI sector.

Norms: -

- ❖ Currency - USD, EUR, JPY, LC in other convertible currencies are also opened subject to the cross currency exchange risk being borne by the importer. Amount - minimum of USD 25,000 or equivalent, however FLCs for lesser amounts may be considered on case-to-case basis. Margin - 100% or backed by a term loan or Pre-shipment credit limits sanctioned by SIDBI/Primary Lending Institutions guideli Charges - As per FEDAI nes.

5. Post Shipment Credit in Rupees (PSCR): -

Purpose: -

To provide post-shipment credit in foreign currency at internationally competitive rates of interest by discounting of usance export bills / purchase of sight/demand export bills and negotiation of bills under LCs.

Eligibile Borrowers: -

All SSI units and Export / Trading houses sourcing their requirements from SSIs with

A Profit making units with proven track record in exports for last three years and sound financial position requirement of export finance assistance of at least Rs.100 lakh

Norms: -

- ❖ Need based limit, depending on the normal trade terms and credit period given to overseas buyers by exporters not exceeding 180 days.

Assistance in rupees is also considered independent of FC limits. Rate of interest-For EBF - Not exceeding 0.75% over 6 Month LIBOR.For PSCR - As per RBI guidelines and the score chart introduced by SIDBI.

6. PreShipment Credit in Foreign Currency (PCFC): -

Purpose: -

To enable small-scale industries to raise finance at internationally competitive rates as per Reserve Bank of India guidelines to fulfil there export commitments.

Eligibile Borrowers: -

Industrial concerns in the small scale sector and Government recognised Export / Trading Houses sourcing their requirement for export from SSI sector with a Profit making units with proven track record in exports for last three years and sound financial position requirement of export finance assistance of at least Rs.100 lakh

Norms: -

- Pre-shipment Credit in Foreign Currency (PCFC) is being extended in USD & EURO Currencies. Assistance in Rupees is also considered independent of FC limits.
- Quantum - need based linked to working capital gap.
- Period of Credit - linked to production cycle (Maximum - 180 days) Margin - minimum 10% and maximum 25% Repayment - by discounting / negotiation of Export bills within a maximum period of 180 days, Rate of interest - For PCFC - Not exceeding 0.75% over 6 Month LIBOR, For PCR - As per RBI guidelines and the score chart introduced by SIDBI.

(E) Marketing Schemes: -

1. Marketing Fund for Women (MFW): -

Objective: -

The assistance under the Fund is available to women entrepreneurs and organisations involved in marketing of products manufactured by women entrepreneurs to increase their reach, both in domestic and international markets.

Eligibile Borrowers: -

- ❖ SSI units managed by women entrepreneurs.
- ❖ Marketing related service providers Organisations / units in the corporate / co-operative / NGO sectors which are providing support services like internet, trade related information, advertising, marketing research, warehousing, common testing centres, etc. to enterprises owned and managed by women.
- ❖ Marketing related service providers Organisations / units in the corporate / co-operative / NGO sectors which are providing support services like internet, trade related information, advertising, marketing research, warehousing, common testing centres, etc. to enterprises owned and managed by women.

Consortia: -

Organisations / Associations / Women Groups / Marketing Consortia that have an exclusive marketing mandate and have, as their vendor base, a wide range of small and tiny units owned and managed by women entrepreneurs.

While the terms and conditions for sanction of assistance would be flexible, they would essentially depend upon the soundness of the management, track record of performance and viability of future operations.

Development Assistance: -

Besides providing financial assistance as mentioned above, SIDBI could also consider, on a selective basis, developmental assistance by way of soft loans/grants for organising group activities and programmes such as trade fairs, exhibitions, buyer-seller meets, seminars, workshops, training programmes, etc. to promote marketing of products manufactured by women entrepreneurs.

2. Marketing of SSI Products (MSP): -

Objective: -

- ❖ To provide financial assistance to SSI units to undertake various activites necessary to increase their sales turnover in the domestic and export markets.
- ❖ To finance corporate entities to enable them to provide support services and/or infrastructural facilities to small scale sector to improve its marketing capabilities

Eligibile Borrowers: -

- ❖ Existing SSI units in the small-scale sector with a good track record and sound financial position are eligible for assistance under the scheme. New units could also be considered on a selective basis.
- ❖ Specialized organisations incorporated as corporate entities and providing marketing assistance, infrastructure and support services to industrial concerns in the small-scale sector.

Purpose: -

- ❖ Assistance under the scheme may be availed of for undertaking various marketing related activities such as:
    - o Marketing research.
    - o R & D, product upupgradation and standardisation.
    - o Preparation of strategic marketing plan
    - o Advertising, branding, catalogue preparation, production of audio-visual aids, etc.

- Participation in trade fairs and exhibitions, undertaking sales promotion tours, etc.
- Establishing distribution network including showrooms/retail outlets and warehousing facilities.
- Training of personnel in activities relevant to marketing etc.

❖ For setting up new showrooms and/or renovation of existing showrooms for marketing predominantlysmall scale, cottage and village industry products. Such showrooms could be set up within the country or abroad.

❖ Development of infrastructure like permanent exhibition centres, industrial parks e.g. garment and software parks, marketing emporia, design and fashion forecasting studios, auction houses (say for floriculture products), container depots and container freight stations and trade centres (within India and abroad) Such infrastructural projects should largely benefit the small scale, cottage and village industries.

❖ Setting up of facilities for providing marketing support to SSI units, e.g. data bank, libraries, internet services, etc.

❖ Any other activity directed towards promoting the marketing of SSI products in domestic or international markets.

Amount of Loan: -

Would be need based, but would not normally be below Rs. 10 lakh per borrower.

Promoters Contribution: -

As may be requested to arrive at a Debt Equity Ratio of not more than 2: 1.

Rate of Interest: -

May be fixed in a broad band up to 3.5% above the applicable prime lending rate

Security: -

Exclusive charge over the assets acquired out of the loan; first/second charge on existing fixed assets and other collateral security as may be deemed necessary

Period of Interest: -

This may vary from three to eight years with a moratorium up to one year.

(F) SIDBI Foundation for MICRO Credit Schemes: -

1. SIDBI Foundation for Micro Credit: -

Background: -

Small Industries Development Bank of India (SIDBI), an apex financial institution for promotion, financing and development of small scale industries in India, has launched a major project christened "SIDBI Foundation for Micro Credit" (SFMC) as a proactive step to facilitate accelerated and orderly growth of the micro finance sector in India. SFMC is envisaged to emerge as the apex wholesaler for micro finance in India providing a complete range of financial and non-financial services such as loan funds, grant support, equity and institution building support to the retailing Micro Finance Institutions (MFIs) so as to facilitate their development into financially sustainable entities, besides developing a network of service providers for the sector. SFMC is also poised to play a significant role in advocating appropriate policies and regulations and to act as a platform for exchange of information across the sector. Operations of SFMC in the next few years are expected to contribute significantly towards development of a more formal, extensive and effective micro finance sector serving the poor in India.

Objective: -

Small Industries Development Bank of India (SIDBI), an apex financial institution for promotion, financing and development of small scale industries in India, has launched a major project christened "SIDBI Foundation for Micro Credit" (SFMC) as a proactive step to facilitate accelerated and orderly growth of the micro finance sector in India. SFMC is envisaged to emerge as the apex wholesaler for micro finance in India providing a complete range of financial and non-financial services such as loan funds, grant support, equity and institution building support to the retailing Micro Finance Institutions (MFIs) so as to facilitate their development into financially sustainable entities, besides developing a network of service providers for the sector. SFMC is also poised to play a significant role in advocating appropriate policies and regulations and to act as a platform for exchange of information across the sector. Operations of SFMC in the next few years are expected to contribute significantly towards development of a more formal, extensive and effective micro finance sector serving the poor in India.

SIDBI Foundation For Microcredit: -

SFMC has been operating as a specialised Department of Small Industries Development Bank of India from January 1, 1999.

SFMC is striving to accelerate the credit flow to the Micro finance sector by working in close partnership with the Micro Finance Instituions in the country. SFMC is also in the process of working towards building up the capacity of its partner MFIs so as to make them sustainable providers of the financial services to the poor.

SFMC keeps the partners informed about the important happenings at SFMC through its publication, the SFMC newsletter.

Training Initiatives: -

SFMC has chalked out a strategy for ensuring long-term sustainable training inputs to the MFIs in the country, in consultation with Prof. Malcolm Harper, an expert in the area. SFMC is in contact with leading academic institutions such as IRMA, XIMB and IIFM to ensure that the scope of their current programmes are enhanced to capture the current trends and meet the demands of the sector. The following programmes are noteworthy and are expected to provide quality manpower to serve the sector: -

- ❖ IIFM is offering an elective on Micro Finance in its PGDFM programme.
- ❖ XIMB is currently offering an elective on Micro Finance in its PGDRM programme and plans to offer a second elective soon.
- ❖ IRMA is currently offering a part elective on Rural Finance Management in its PGDRM programme, which has a major focus on Micro Finance.

SFMC has already facilitated technical inputs for value enhancement of the programme offered by XIMB, while it is in the process of tying up technical assistance to enhance the scope of the programmes being currently offered by IRMA. Opportunities were made available to Faculty members from the select training institutions to attend advanced training programmes in Micro Finance both in India and abroad. On the other hand, SFMC is also in the process of encouraging practitioner lead short term training programmes to meet the specific technical training requirements of MFIs. The short-term events are listed separately in the section on forthcoming events. It is expected that the SFMC partners would use the Capacity Building (CB) grant assistance to attend the programmes of their choice. In the unlikely event of any partner MFI not having received the CB support as yet, SFMC would pay the fee to the concerned Training Institutions, on request. SFMC has also launched 'Young Professionals Programme' to assist MFIs in campus recruitment.

- ❖ Expanding the Frontiers of Micro Finance in India
- ❖ **SFMC** Institutional Partners
- ❖ List of current MFI Partners

(G) Other Schemes: -

1. Scheme for Domestic Factoring (FAC): -

Purpose: -

To provide factoring service to the manufacturers in SSI sector supplying their products on credit terms to various purchasers in the domestic market with a view to assisting them in their receivable management as also providing them with finance against the receivables factored.

Eligibile Borrowers: -

Facilities are extended to existing units in SSI sector - with good track record of performance and sound financial position - supplying components/ parts/ accessories/ sub-assemblies etc. on short term credit to well established purchasers units. They should have been in operation for at least three years and have earned profits and/or declared dividend during the two years prior to taking up the scheme.

Norms: -

Sales of the unit should preferably be spread over a minimum of 5 customers with maximum sales concentration in a single buyer being less than 30%. Maximum credit period shall be of 90 days.

2. Scheme for Invoice Discounting (IDS): -

Purpose: -

To improve the cash flow and liquidity of units in the small-scale sector against the goods sold and/or services provided to large purchaser companies in the public/private sector, including PSUs having good financial track record.

Eligibility Borrowers: -

1. Purchaser:

The purchaser of goods / services from the seller shall be large companies in the public / private sector, including PSUs, having good financial track record, market standing and impeccable record of making payments to its suppliers within the agreed credit period. Exposure limits shall be sanctioned to approve purchaser companies based on their financials. The SSI suppliers to such purchaser companies shall then be sanctioned invoice discounting limits within the overall exposure limit to the Approved Purchaser. The approved purchaser(s) shall agree to make payments directly to SIDBI within the credit period notified on the invoice.

2. Seller: - -

Public / Private Ltd. companies in the Small Scale Sector supplying goods or providing services like transportation, repairs, maintenance, computerisation, canteen services, advertising, publicity etc to large purchaser companies may be covered. They should: -

- Have been in existence for at least three years
- Have earned profits / declared dividends in the last two years and
- Not be in default to banks / financial institutions Well-run and reputed partnership firms could be considered on selective basis.

Norms: -

- The limit to the seller shall be based on the sales during the last two years and projection for the current year and shall normally not exceed 33% of the aggregate annual net sales to the approved purchasers.
- The credit period shall be based on the credit period allowed by the seller to the approved purchaser(s) in the past and shall normally not exceed 120 days. In case the purchaser fails to make the payment as per the agreed credit period, the seller shall be liable to pay the same together with interest and other charges.

- ❖ The rate of interest shall be within the band of 0-3.5% p.a. above the MTPLR. In case of delay in payment by the purchaser beyond the sanctioned credit period, further interest at the approved rate and liquidated damages at 2% p.a. on the defaulted amount for the period of default will be paid by the seller.
- ❖ An advance upto a maximum of 80% of the effective value of invoice (net of rejections / returns), in respect of sales / services rendered directly to the approved purchaser(s) will be made to the seller, upon acceptance of goods / certifying that the services provided have been rendered to the satisfaction of the approved purchaser. The invoice(s) will have to be made as per the terms of the purchase order. The balance amount of 20% will be released after deducting finance and other charges on receipt of payment from the purchaser.

(H) Promotional & Development Activities: -

Introduction: -

As an apex financial institution for promotion, financing and development of industry in the small-scale sector, SIDBI meets the varied developmental needs of the Indian SSI sector by its wide-ranging Promotional and Developmental (P&D) activities.

P&D initiatives of the Bank aim at improving the inherent strength of small-scale sector on one hand as also economic development of poor through promotionofmicro-enterprises.

In pursuance of its multifaceted P&D activity, synergistic with its business activities aimed at development of the small industries, SIDBI looks forward to a partnership with NGOs, associate financial institutions, corporate bodies, R&D laboratories, marketing agencies, etc., for national level programmes. SIDBI has identified the following thrust areas of P&D activities, which are being undertaken in partnership with various institutions, agencies, and NGOs:

1. Mahila Vikas Nidhi - (MVN): -

Objective: -

A trained and skilled woman can earn her livelihood and effectively contribute to the national income. SIDBI operationalises this concept under its Mahila Vikas Nidhi (MVN) programme by assisting accredited NGOs to create training and marketing infrastructure especially for rural women. Mahila Vikas Nidhi (MVN) is SIDBI's specially designed Fund for economic development of women, especially the rural poor, by providing them avenues for training and employment opportunities.

Approach: -

A judicious mix of loan and grant is extended to accredited NGOs for creation of training and other infrastructural facilities. The basic activity involves setting up of Training-cum-Production Centres (TPCs) by the assisted NGOs to ensure that women are provided with training and employment opportunities.

In addition, activities like vocational training, strengthening of marketing set up for the products of the beneficiary group, arrangements for supply of improved inputs, production and technology improvement are also covered under the MVN scheme. Assistance is given mainly towards capital expenditure and support of a recurring nature is discouraged.

Eligibility: -

- NGOs that:
- Have been in existence for at least 5 years, should be registered with properly constituted bye-laws, memorandum and articles of association, governing body, broad-based management and properly maintained accounts.
- Have good track record.

Terms: -

Assistance by way of concessional loan and grant is provided. Grant support is mainly towards strengthening the managerial capability of NGOs. Loan is extended on following terms:

- ❖ NGOs to pay a concessional rate of interest (@ 13% p.a. at present).
- ❖ Repayment period is normally up to 5 years and is fixed on case-to-case basis. Initial moratorium of one/one and half years is considered.
- ❖ Security - Normally secured by way of mortgage/hypothecation of assets created out of loan assistance.

Progress: -

Upto March 2001, SIDBI has extended assistance of Rs. 804 lakh to 155 NGOs benefiting about 21, 350 women

2. Rural Industries Programme - (RIP): -

Objective: -

A unique approach for rural industrialisation where the emphasis is on stimulating and helping the potential entrepreneurs to set up small enterprises through consultancy outfit positioned by SIDBI. Development of viable and self-sustaining enterprises in rural and semi-urban areas has been identified for an intensive thrust by the Bank with a view to addressing problems such as rural unemployment, urban migration, and under-utilisation of physical resources and skills of rural areas.

The Rural Industries Programme (RIP) of the Bank provides a cohesive and integrated package of basic inputs like information, motivation, training and credit, backed by appropriate technology and market linkages for the purpose of enterprise promotion.

Approach: -

Implementing agencies such as NGOs, development professionals, Technical Consultancy Organisations etc. are identified and assigned the task of developing RIP. The implementing agency either by itself or by networking with the appropriate agencies, provides the following professional services:

- ❖ Identification and motivation of potential entrepreneurs in the rural areas
- ❖ Identifying potential investment opportunities for these entrepreneurs.
- ❖ Facilitating skill upgradation.
- ❖ Assistance in securing finance from banks and other lending institutions.
- ❖ Helping entrepreneurs in selection, sourcing, installation and operation of machinery.
- ❖ Arranging market support wherever necessary and
- ❖ Guiding entrepreneurs till their units commence commercial production.

SIDBI is encouraging a sub-sectoral approach under RIP to provide necessary technology and marketing linkages as relevant to specific industrial segment and rural clusters.

Funding: -

SIDBI meets part of the manpower cost of the implementing agency, mainly in the form of a performance fee. The fee is linked to units actually grounded by the identified rural entrepreneurs. In deserving cases, the Bank even provides some start-up expenses to the implementing agencies apart from the performance fee.

Progress: -

Upto March 1999, 5419 enterprises have been promoted under RIP in 13 States through 29 implementing agencies.

3. Mahila Udyam Mitra (MUM): -

The Bank has recently launched a variant of its Rural Industries programme targeted exclusively at women. Christened as the Mahila Udyam Mitra, the program envisages support to prospective women entrepreneurs by way of project ideas, assistance in setting-up the unit. These services are provided by a specialist agency engaged by the Bank and positioned in identified districts to assist prospective women entrepreneurs. The programme had been test launched in a few districts in Andhra Pradesh and within the span of one year, 350 units have been promoted. The coverage of MUM has been extended to Kerala and the programme is expected to result in promotion of 500 women enterprises over the next two years.

4. Entrepreneurship Development Programme (EDP): -

Objective: -

Entrepreneurship can be developed by training. Towards this end and also to make the Entrepreneurship Development Programmes (EDPs) result-oriented, SIDBI has been supporting suitable agencies to train and guide potential entrepreneurs to set up enterprises. EDPs aim at training various target groups in entrepreneurial traits so that they obtain adequate information, motivation and guidance in setting up their own enterprises. In order to maintain a homogeneous nature of participating groups, EDPs focus on rural entrepreneurs, women, SC/ST, etc.

Programme Particulars: -

The EDPs are normally of 4 - 6 weeks duration coupled with proper practical training inputs. Training Agencies specialising in conducting EDPs, Non-Governmental Organisations (NGOs) and specialised technical institutes are extended assistance to conduct product specific EDPs. In an effort to attract more professional and result oriented institutions into the EDP fold, the Bank has made the scheme more performance oriented by extending reasonable support towards training cost and encouraging the institutions to earn performance fee by grounding units.

Progress: -

Upto March 2001, the Bank has supported a total of 1317 EDPs comprising 654 Rural EDPs, 285 Women's EDP and 378 programmes for other target groups benefiting approximately 27,500 persons.

5. Management Development Programmes (MDP): -

Introduction: -

Management Development in SSIs has been identified as a crucial area of intervention for the viability, competitiveness and profitability of SSI units especially in the context of present economic transition when the market barriers are gradually being removed. SIDBI took initiative to remedy the short-coming of HRD in SSI sector by launching two programmes namely Small Industries Management Pregramme (SIMAP targeted at qualified unemployed as well as industry sponsored candidates to provide low cost and competent managers to SSI units and Skill cum Technology Upgradation Programme (STUP) for owners/managers of SSIs.

(i) SMALL INDUSTRIES MANAGEMENT PROGRAMME

Objective: -

The objective of SIMAP is to develop a cadre of industrial managers specifically trained to assist the SSI entrepreneurs in their multiple responsibilities. It also seeks to open up new avenues of productive employment for young graduates who are otherwise not professionally qualified.

Participants: -

This programme is targeted at unemployed non-technical graduates, diploma holders and industry-sponsored participants for management strengthening.

Duration & Contents: -

The programme is conducted in three phases, normally over a period of 14-18 weeks. The first phase consists of classroom sessions for about 5-8 weeks. Inputs essentially cover information, knowledge and skills pertaining to management of the SSI units. This is followed by the second phase of 8 weeks wherein on-the-job practical training is provided in the SSI units. The final phase of 1-2 weeks is basically a refresher / debriefing course before the candidates are awarded their course certificates.

Participants Contribution: -

To ensure involvement of the participants and to obviate drop out at later stages, the participants are required to pay some fee for the course.

(ii) SMALL SKILL-CUM-TECHNOLOGY UPGRADATION Programme: -

Objective: -

The programme is structured to improve the performance of existing SSI units by developing/ strengthening managerial skills and technical competence of the entrepreneurs and senior executives of the small enterprises. It also aims to create awareness amongst the SSI units on process improvements, technological developments etc. and to induce the units to upgrade their technological level.

Participants: -

The programme is designed for homogeneous groups of entrepreneur/ senior executive in terms of the size of the units, owner profile, nature of industry and present financial/working status.

Duration & Contents: -

The duration of the programme is for a period of 2-6 days on full time basis or 4-12 days on part-time basis. The programme content is tailored depending upon the participants and/or the industry group represented by them. Due to the technical nature of the programme, the focus is more on specific aspects or on specialised fields rather than on general management topics.

Participants Contribution: -

The participants are required to pay about one-third of the fee for the course to ensure their involvement.

Corpus Support: -

Institutionalisation of these management development programmes has become the major thrust of the Bank, which is expected to provide inputs on a continuous and organised basis in areas considered to be crucial for tapping full potentialities of the SSI sector. The Bank has started extending corpus support to regionally dispersed reputed institutes, which conduct programmes regularly out of the interest income charging reasonable participant fee.

Progress: -

The Bank has, upto March 1999, supported a total of 148 SIMAPs and 529 STUPs. So far 14 institutions have been provided with the Corpus Support. Those interested in joining these programmes may please get in touch with institutes listed

6. SMALL SKILL-CUM-TECHNOLOGY UPGRADATION PROGRAMME (SSCTUP): -

Objective: -

The programme is structured to improve the performance of existing SSI units by developing/ strengthening managerial skills and technical competence of the entrepreneurs and senior executives of the small enterprises. It also aims to create awareness amongst the SSI units on process improvements, technological developments etc. and to induce the units to upgrade their technological level.

Participants: -

The programme is designed for homogeneous groups of entrepreneur/ senior executive in terms of the size of the units, owner profile, nature of industry and present financial/working status.

Duration & Contents: -

The duration of the programme is for a period of 2-6 days on full time basis or 4-12 days on part-time basis. The programme content is tailored depending upon the participants and/or the industry group represented by them. Due to the technical nature of the programme, the focus is more on specific aspects or on specialised fields rather than on general management topics.

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7. Technology Upgradation Programmes (TUP): -

Introduction: - -

The competitiveness of the products of SSI units both in the domestic and international markets is dependent to a large extent on their productivity levels, price factors and quality charachetristics. SIDBI's technology upgardation and modernisation programme is aimed at improving the technical capabilities and competitiveness of SSI units in clusters by introducing commercial proven technologies which will result in significant improvement in quality, productivity, bring about cost reduction, saving of energy and raw materials and reduction in the level of pollution.

Objective:- -

SIDBI's efforts broadly aim at:

- Creation of awareness on new product / process technologies
- Skill upgradation
- Development of technology related common facilities for the cluster
- Provision of unit-specific modernisation package
- Energy conservation and introduction of environment friendly technologies
- Quality upgradation in terms of systems and products

Approach:- -

The first step involves the selection of clusters, which have certain homogeneity in terms of status of technology, products, production levels, trade practices, and capacity to absorb improved technology. Individual clusters are then assigned to expert consultancy agencies that assess the technology upgradation needs and prepare unit-specific modernisation packages including scope for consolidation of technical capabilities of existing units.

Funding:- -

SIDBI provides support and co-ordinates the services of consultants, and backs up their efforts for arranging financial assistance, through banks or State Financial Corporations (SFCs), under its refinance assistance schemes. The Bank also provides direct financial assistance through its Rs. 2 billion Technology Development and Modernisation Fund (TDMF) scheme. Regular follow-up and monitoring of the programmes is undertaken by the Bank and the implementing agencies are suitably compensated by way of professional fee for undertaking the assignment.

8. Quality And Environment Management (QUM): -

(i) Quality Management: -

SIDBI is giving due emphasis to creating awareness in the SSI sector regarding the need for quality and environment management. Suitable agencies are appointed to create awareness and assist in implementation of unit specific plan.

Objective: -

As the small scale sector has been slow to respond to the importance of quality, the Bank launched a major campaign to organise participative workshops all over the country to sensitise the SSI units about the issue and to create awareness about concepts such as 'Total Quality Management' and 'ISO 9000' as also to assist the SSI units in acquiring ISO-9000 certification by making available to them all the major inputs which are required, viz., expert guidance, escort services and finance.

Approach: -

The approach of the Bank has been to retain associations like FICCI, ASSOCHAM, CII and specialist agencies like TQM International (P) Ltd. and ABC Cunsultants (P) Ltd. employing qualified and experienced lead assessors and auditors to conduct 2-day workshops all over the country with the ultimate objective of identifying units, which could be motivated, persuaded and assisted to achieve ISO-9000 certification. These units are then provided with necessary financial assistance for acquiring ISO-9000 certification.

Funding: -

The funding of the awareness programmes is extended by the Bank with the SSI units paying a token amount as participation fee. For providing escort services to SSI units operating in clusters for achieving certification, the Bank subsidises to a reasonable extent the professional charges of consultants. Besides this, the cluster approach to ISO-9000 certification also reduces the overall expenses of the certification exercise and makes the whole programme affordable for the SSI units. In addition, the Bank also positions consultancy organisations to provide escort services to SSI units to enable them to acquire ISO-9000 certification.

Fixed Deposit Scheme: -

SIDBI's Fixed Deposit Scheme is rated ‘AAA (FD)' by CARE and 'FAAA' by CRISIL indicating highest safety with regard to payment of principal and interest. Salient features of the scheme are given below. The detailed terms of the scheme are enumerated in the application forms, which may be obtained from any of the offices of SIDBI.

Schemes: -

A.	Cumulative Deposit	Rs. 10,000
B.	Annual income	Rs. 10,000
C.	Quarterly Income	Rs. 10,000
D.	Monthly Income	Rs. 25000

* Additional amounts in multiples of Rs.1, 000 Minimum Deposit@

Eligible Depositors: -

Resident Individual.	Companies
Minors.	Bodies Corporate
HUFs.	Societies
Partnership firms	Association of Persons

Features: -

- ❖ Nomination facility available on Single & Joint Deposits by Individuals.
- ❖ Post dated interest warrants payable at par at 27 centres (subject to change), issued for the entire financial year, in advance provided the interest amount payable monthly/quarterly is less than Rs.10, 000/-
- ❖ Repayment of maturity amount by local cheques at 39 centres (subject to change)

Duration of Deposit:-

The minimum and maximum duration of the deposit is 12 and 60 months respectively. The deposits are accepted for tenure in multiples of one month only.

Interest Rates: -

The Interest Rate Structure for SIDBI Fixed Deposit Scheme of SIDBI is as under:

Duration (Months)	Revised Annual Interest Rate %p.a. *		
	Annual	Quarterly	Monthly
12 to 23	6.25	6.11	6.08
24 to 35	6.50	6.35	6.31
36 to 60	6.75	6.59	6.55

* Higher Interest Rate (0.50%) to Senior Citizens i.e. depositors above the age of 60 years, across maturities. In case of application from senior Citizen (Age 60 years and above), applicants should be requested to furnish the proof of age viz. an attested copy of any one of the following: Ration Card, Passport, Driving License, Voter Identification Card, PAN card, Pension/Service Book, Birth Certificate, School Leaving Certificate, LIC Policy etc. indicating the date of birth,

(ii) Environment Management: -

Objective: -

The environment management initiative of the Bank has been launched with the objective to make the SSI units aware of environmental issues and to assist them to acquire a green image by finding solutions to their pollution problems.

Approach: -

The two pronged approach aims at increasing awareness on the important issues of environment management and supporting the setting up of demonstration projects in homogeneous cluster of SSI units. The conduct of awareness programmes is entrusted to professional agencies. These agencies conduct interactive and focused programmes, which endeavour to provide solutions to the multifarious problems afflicting SSI units. The objective of this exercise is to educate the SSI units about the environmental regulations, which need to be adhered to, and the steps, which need to be adopted to operate within prescribed norms. Demonstration projects are implemented by professional agencies by providing select units in homogenous clusters with escort services. The agency helps in setting up projects which not only reduce pollution levels but also bring-in benefits like

Funding: -

The funding for the awareness programmes is provided by the Bank with the SSI units paying a token amount as participation fee. For demonstration projects, the Bank subsidises to some extent, the professional charges of the consultants and also provides the beneficiary units with financial assistance to partially meet the cost of equipment.

Progress: -

Support for awareness programmes is an on-going exercise and the Bank engages institutions like the National Environment Engineering Research Institute (NEERI), Environmental Protection Training and Research Institute, Centre for Environmental education etc. for conducting these programmes. A satellite interactive network programme was also conducted for spreading the message of **"Green Profits"** for the SSI units, wherein experts in the field were stationed at New Delhi and interacted with over 200 partcipants from SSI units in 13 cities all over the country. Demonstration projects have been supported by the Bank in thge Sub-sectors of cupola based foundries, induction furnaces, rice shellers, brick kilns, hot-mix plants, heat treatment units, electroplating units, saila (rice) plants, dyeing units etc. The demonstration projects have been widely replicated especially those targeted at rice-shellers, foundries and brick kilns. The technology is cost effective and the payback period is less than one month. Currently, the programme is being up-scaled to include more industry sub-sectors and cover a greater geographic spread.

(I) Fixed Deposit / Bonds: -

(a) Fixed Deposit Scheme: -

(b) Capital Gains Bond: -

(a) Fixed Deposit Scheme: -

Instructions: -

1. The application forms must be completed in Block Letters. Separate Application Form Must be Used for Deposits Under Different Schemes.

2. In case of deposit by minors, the application form should be signed by the Father/Natural guardian. The Guardian's name & relationship with minor should be specified in the application form.

3. In case of application by Hindu Undivided Family, the application form shall be signed by the Karta of the HUF.

4. In case of applications under Power of Attorney or by Limited Companies or Corporate bodies, Societies, Trusts and Association of Persons, a certified copy of the Power of Attorney or the relevant authority, as the case may be, shall accompany the application form and the application form shall be signed by the attorney or the authorized signatory/ies, asthecasemaybe.

5 Signature(s) shall be in English or in any of the Indian languages. Thumb impressions shall be attested by an authorised official of a Bank or by a Magistrate/Notary Public under his/her official seal.

6. Application forms, complete in all respects alongwith cheque/demand draft favouring "SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA" shall be submitted at any of the SIDBI offices. The cheque/draft should be drawn on any bank branch, which is situated in the city where the application is submitted. Outstation cheques/drafts, money orders/postal orders or cash payment will not be accepted. SIDBI's Fixed Deposit Scheme is rated 'AAA (FD)' by CARE and 'FAAA' by CRISIL indicating highest safety with regard to payment of principal and interest. Salient features of the scheme are given below. The detailed terms of the scheme are enumerated in the application forms, which may be obtained from any of the offices of SIDBI.

Schemes: -

	Minimum Deposit@	
A.	Cumulative Deposit	Rs. 10,000
B.	Quarterly Income	Rs. 10,000
C.	Monthly Income	Rs. 17,000

* Additional amounts in multiples of Rs.1, 000

Interest Rates: -

The Interest Rate Structure for SIDBI Fixed Deposit Scheme (with effect from February 1, 2002)		
Duration	Interest Rate % p.a.	Annualised yield %p.a $
12 months and upto less than 24 months	7.75	7.98
24 months and upto less than 36 months	8.00	8.24
36 months and upto 60 months	8.50	8.77

$ For cumulative deposits - interest compounded quarterly

Duration of Deposit: -

The minimum and maximum duration of the deposit is 12 and 60 months respectively. The deposits are accepted for tenure in multiples of one month only.

Eligible Depositors: -

❖ Resident Individual. ❖ Minors. ❖ HUFs. ❖ Partnership firms	❖ Companies ❖ Bodies Corporate ❖ Societies ❖ Association of Persons

Features: -

- ❖ Nomination facility available on Single & Joint Deposits by Individuals.
- ❖ Post dated interest warrants payable at par at 27 centres (subject to change), issued for the entire financial year, in advance provided the interest amount payable monthly/quarterly is less than Rs.10, 000/-
- ❖ Repayment of maturity amount by local cheques at 39 centres (subject to change)

Mode of Acceptance: -

The date of deposit will be the date on which the application form together with the cheque/draft is received by SIDBI. Please ensure that your cheque/draft together with the completed application form is handed over by you or by your agent, if any, to SIDBI immediately since SIDBI will not pay any interest for the period between the date of cheque/draft and the date of receipt at SIDBI. In respect of outstation deposits received from individuals by way of DD, the DD commission charges will be reimbursed by the Bank on submission of the counterfoil of the DD challan.

Joint Deposits: -

i) All correspondences & interest payments will be directed to the First NamedDepositor.

ii) Repayment of maturity amounts will be made to the person(s) in terms of instructions in the application form and any discharge given by such person(s) shall be valid and binding on all the joint depositors.

iii) In the event of death of the First Named Depositor, the repayment of deposit and the payment of interest will be made to the person first in order of the survivors named in the Deposit receipt on submission of a duly certified copy of the death Certificate without reference to the heirs and/or legal representatives of the deceased, unless otherwise instructed by the depositor during his lifetime.

Interest Payments: -

Interest rate applicable on the deposit would be the rate prevailing as on the date of acceptance of such deposit. Interest will be calculated on the basis of 365 days a year. Interest on cumulative deposits will be compounded quarterly and paid together with the principal amount on maturity whereas interest on other schemes will be paid on a monthly/quarterly basis, as the case may be. Post dated Interest Warrants for one financial year or part thereof as the case may be, will be issued in advance at the beginning of each financial year.

Tax Deduction at Source: -

Tax will be deducted at source on the interest payable to the depositors as per the applicable provision sunder the Income Tax Act unless a certificate in prescribed form is submitted to SIDBI in advance. Depositors desirous of receiving interest, without deduction of tax, or with deduction of tax at a lower rate may file a certificate from the Assessing Officer under Section 197(1) of the Income Tax Act, 1961 (Form 15AA) or a declaration in Form 15H. Form 15H is a self-declaration form which can be submitted by resident individuals. Karta of HUF and a person representing Association of Persons (AOP) can also submit this form in which case they have to indicate the capacity in which they represent the HUF/AOP. This form has to be submitted in duplicate. Such certificate for each financial year should be submitted at the beginning of the financial year. Income Tax once deducted would not be refunded by SIDBI under any circumstances. As per the present provisions, tax will be deducted if the aggregate amount of interest in any Financial Year on all deposits with SIDBI exceeds Rs.5, 000.

Nomination Facility: -

Nomination facility is available for single & joint deposits received from individuals. However, persons applying on behalf of minors and HUFs cannot nominate.

Change of Address: -

The depositor(s) shall intimate the change, if any, in their address, in writing to SIDBI.

Succession: -

In the event of the demise of the sole or all joint depositors, the fixed deposit amount together with interest thereon, will be paid to the nominee as stated in the application. In case nomination has not been provided, SIDBI will recognise the title of such person(s) to the deposit that would produce the requisite legal representation to the satisfaction of SIDBI. Before receiving such payment, such person(s) will surrender to SIDBI the post dated Interest Warrants, if any, relating to the deposit, remaining unencashed and the relevant Deposit Receipt.

Repayment/Renewal of Deposit: -

i) The Deposit will automatically expire on maturity. No interest will thereafter accrue on such deposit unless the deposit is renewed.

ii) For repayment, the Deposit Receipt duly discharged on a revenue stamp of requisite value by the depositor entitled to receive payment should be submitted to SIDBI atleast 3 weeks prior to the date of maturity. Repayment will be made by a "Account Payee" cheque.

iii) When the date of maturity falls on any day on which the office of SIDBI remains closed, the payment will be made on the next working day.

iv) For renewal, a fresh application form duly filled by the sole or all the joint depositors should be submitted to SIDBI atleast three weeks prior to the date of maturity. Deposits may be renewed on such terms & conditions as applicable on SIDBI Fixed Deposits at the date of such renewal.

Premature Withdrawal of the Deposit: -

Requests for premature withdrawal will be considered in accordance with guidelines issued by RBI from time to time. The present guidelines are as follows:-

i) No premature withdrawal will be permitted before completion of a period of 1 year from the date of deposit.

ii) Interest rate applicable on premature withdrawals after 1 year would be one percent less than the rate applicable as on the date of deposit for the period for which the deposit has been with SIDBI.

Loan against Deposit: -

SIDBI will not provide any loan against a deposit issued under this scheme

Deposit Receipt: -

i) Deposit Receipt will be sent to the address of the First Named Depositor by Registered Post within a period of one month after realisation of the Cheque/Draft.

ii) The Deposit Receipt is not Transferable. In the event of loss, theft, destruction, mutilation or defacement of the Deposit Receipt, SIDBI may at its sole discretion and at the cost of the depositor issue a duplicate Deposit Receipt subject to compliance with such terms and conditions, including an indemnity from the depositor, as may be deemed fit by SIDBI.

General: -

i) SIDBI reserves the right to waive or vary any of the above terms and conditions and also to reject any application for a fresh deposit or for renewal without assigning any reason.

ii) Acceptance, renewal and repayment of deposits will be governed by guidelines issued by RBI from time to time and subject to Mumbai Jurisdiction.

iii) The interest warrants and repayment cheques will be encashable at par at the designated branches of such banks in India as may be decided by SIDBI from time to time.

(b) Capital Gains Bond (CGB): -

Micro Finance: -

On-lending: -

In keeping with its mission, SIDBI Foundation identifies, nurtures and develops select potential MFIs as long term partners and provides credit support for their micro credit initiatives. The eligible partner institutions of SIDBI Foundation, therefore, comprise large and medium scale MFIs having minimum fund requirement of Rs. 10 lakh per annum. In all, around 100-125 MFIs are planned to be developed as long term partners over the next 4 years. Large and medium scales MFIs having considerable experience in managing micro credit programmes, high growth potential, good track record, and professional expertise and committed to viability are provided financial assistance for on lending. Under the present dispensation, annual need based assistance is provided to enable MFIs to expand their scale of operations and achieve self-sufficiency at the earliest. Lending is based strictly on an intensive in-house appraisal supplemented with the capacity assessment rating by an independent professional agency. Relaxed security norms have also been adopted to reduce procedural bottlenecks as well as to facilitate easy disbursements.

Capacity Building: -

The long-term future of the micro-finance sector depends on MFIs being able to achieve operational, financial and institutional sustainability. The constraints and challenges vary with the different types and development stage of MFIs. Most MFIs are currently operating below operational viability and use grant funds from donors for financing up-front costs of establishing new groups and covering initial losses incurred until the lending volume builds up to a break-even level. The MFIs are generally constrained in reaching a break-even level and finally achieving sustainability primarily due to a narrow client and product base, high operational and administrative costs for delivering credit to the poor, and their inability to mobilise requisite resources. Moreover lack of technical manpower, operational systems, infrastructure and MIS are prevalent. In view of above, to scale up micro-finance initiatives at a fast pace, a special effort is required for capacity building of the micro finance institutions. In this background, SFMC has decided that need-based capacity building support in the form of grant be provided to the partner MFIs, in the initial years, to enable them to expand their operations, cover their managerial, administrative and operational costs and provide technical support besides helping them achieve self-sufficiency in due course. The grant support is being provided both as technical assistance as well as operational support. The technical assistance component is directed at helping the MFIs to strengthen their micro finance programmes through inputs such as human resource development, MIS development, effective financial and general management, training, efficient monitoring and control systems etc, whereas operational support is provided to the MFIs to meet a part of their operational deficit arising due to expansion of their programme.

Liquidity Management: -

In view of the fact that liquidity is a major concern of many of the middle level MFIs and a small working capital support can go a long way in their better liquidity management and thus pave way for faster growth, SFMC has introduced a special short term loan scheme, Liquidity Management Support (LMS) for the long term partners.

Equity: -

Provision of equity capital to the NBFC-MFIs is perceived as an emerging requirement of the micro finance sector in India. SIDBI provides equity capital to eligible institutions not only to enable them to meet the capital adequacy requirements but also to help them leverage debt funds.

Quasi equity: -

The Transformation Loan (TL) product is envisaged as a quasi-equity type support to partner MFIs that are in the process of transforming themselves / their existing structure into a more formal and regulated set-up for exclusively handling micro finance operations in a focused manner. Being quasi-equity in nature, TL helps the MFIs not only in enhancing their equity base but also in leveraging loan funds and expanding their micro credit operations on a sustainable basis. The product has the feature of conversion into equity after a specified period of time subject to the MFI attaining certain structural, operational and financial benchmarks. This non-interest bearing support facilitates young but well performing MFIs to make long term institutional investments and acts as a constant incentive to transform themselves into formal and regulated entities

Direct Credit to clients / members of MFIs: -

SFMC would be providing direct credit to SHGs/ solidarity groups/ individual clients of the select MFIs. However, these borrowers would be supported/ supervised by the MFI. The scheme is targeted on larger MFIs, which have strong credit and recovery mechanism, MIS and internal control. Under the arrangement, SFMC would assess the MFIs ability to manage the projected micro credit portfolio and extend credit to the borrowers of MFI. There would be no restriction on the MFIs as regards their methodology for credit dispensation. The MFIs may pass the assistance directly to SHGs / individuals or route it through their partner NGOs and MFIs. They may also adopt any other channel so as to effectively reach financial assistance to poor clients.

Micro Enterprise Loans: -

In order to build and strengthen new set of intermediaries for Micro Enterprise Loans, the Bank has formulated new scheme for Micro Enterprise Loans. Institutions/ MFIs with minimum fund requirement of Rs. 25 lakh p.a. and having considerable experience in financial intermediation/ facilitating or setting up of enterprises/ providing escort services to SSI/ tiny units/ networking or active interface with SSIs etc. and having professional expertise and capability to handle on-lending transactions shall be eligible under the dispensation. The institutions would be selected based on their relevant experience, potential to expand, professional management, transparency in operations and well laid-out systems besides qualified/-trained manpower. Lending to be based strictly on an intensive in-house appraisal supplemented with the credit rating by an independent professional agency. Relaxed security norms more or less on line with micro credit dispensation to be adopted to reduce procedural bottlenecks as well as to facilitate easy disbursements.

Subsidiaries:-

To facilitate the creation of an environment for self-sustaining and growing SSI units and to provide a completed range of services, SIDBI has set up

(1) Credit Guarantee Fund Trust for Small Industries.

(2) SIDBI Venture Capital Limited.

(3) Technology Bureau for Small Industries.

(4) SIDBI Foundation for Micro Credit.

The Credit Guarantee Fund Trust for Small Industries (CGTSI) has implemented a credit guarantee fund scheme for small industries to facilitate collateral free and third party guarantee-free credit facilities (both long-term and working capital) from scheduled commercial banks and select regional rural banks to new and existing units in SSI sector, including units in the information technology and software industry. The Credit Guarantee Fund Trust for Small Industries, which guarantees collateral free/third party guarantee-free loans unto Rs 25 lakh per SSI borrower, is an important credit facilitating initiative.

SIDBI’s Venture Capital Limited Provides venture funds for various activities such as software services and education, product development, internet services, and so on.

The Technology Bureau for Small Enterprises has been set up in association with United Nations, and Asia Pacific Centre For Transfer of Technology (APCTT). The Technology Bureau for Small Enterprises assists small enterprises in accessing the latest technologies in diverse industrial fields, both from within and outside India.

SIDBI Foundation for Micro Credit (SFMC) is creating a national network of strong, viable, and sustainable micro-finance institutions from the informal financial sectors to provide micro-finance services to the poor, especially women, for setting up micro enterprises.

Besides these, SIDBI is the co-promoter of IDBI Bank Ltd., North-Eastern Development Financial Institutions (NEDFIs), SBI Factors, and Canbank factors.

Consequent upon amendments to the State Financial Corporations (SFCs) Act, State Financial Corporations have been brought under the ambit of SIDBI.

SIDBI is among top 30 development banks of the world. As per the May 2001 issue of The Banker, London, SIDBI ranked twenty-fifth both in terms of capital and assets.

SIDBI-kfw Scheme of Cleaner Production (CP) Measures: -

Eligible borrowers: -

- ❖ Existing SME units, in the sectors of leather tanning & finishing, textile wet processing, metal finishing, electroplating and foundries.
- ❖ Units to have satisfactory track record of past performance and sound financial position and not be in default to institutions / banks.
- ❖ Common Effluent Treatment Plants.
- ❖ Greenfield SME demonstration projects on a selective basis.

Purpose: -

Financing integrated Cleaner Production measures

Rate of Interest: - 8.5% p.a.

Upfront fee: - Nil

Minimum loan limit: - Rs.10 lakh (could be reduced on selective basis)

Der: -

- 2:1 - for the company as a whole for existing units

  1.5:1- for CETPs

  (New Demonstration Projects - to be decided on case to case basis)

Consultancy support: -

SIDBI appointed Consultant will provide support for identification, preparation and implementation of the CP measure

SIDBI's financial assistance to small-scale sector is channelised through: -

(A) Indirect assistance to primary lending institutions (PLIs)

(B) Direct assistance to small units.

Indirect assistance is extended by way of refinancing, granting of line of credit (LOC) in lieu of refinance to and rediscounting of bills of exchange to eligible PLIs including banks, state financial corporations, and state industrial development corporations having over 65,000 branches all over the country. The total number of eligible PLIs as at the end of March 2001 stood at 910.

SIDBI refinances loans sanctioned and disbursed by PLIs to set up new SSI projects and for expansion, technology, up gradation, modernization, quality promotion, diversification by existing units, and rehabilitation of sick SSI units. This refinance assistance flows to the transport, health, and tourism sectors and also to professional and self-employed persons setting up small-sized professional ventures.

SIDBI extends short-term loans to scheduled banks in respect of their outstanding portfolio relating to SSI sector against with no financial support banks availed from other institutions.

SIDBI rediscounts bills of SSI suppliers and bills arising out of sale/purchase of machinery discounted by scheduled commercial banks.

Receivable Financing Scheme: -

- Purpose To enable SSI / SME / Eligible Service sector units (including construction / small road transport operators) selling components, parts, sub-assemblies, services, etc. to Medium & Large scale units realise their sale proceeds quickly.
- Eligible Borrowers Limits are sanctioned by SIDBI to well established industrial units using components / parts / sub-assemblies / accessories / services manufactured / provided by by SSI / SME / Eligible Service sector units. Either seller or Purchaser need to qualify as SSI / SME / Service Sector unit
- Norms Unexpired usance - Not more than 90 days
- Others
- Facility without bills of exchange / LC backed receivables can also be considered on the basis of merit.

2.5 Conclusion: -

After making a beginning an essentially a refinance institution SIDBI has grown into a multifaceted organization. It has served the small sector well by providing a wide range of products and resource support services in it twelve years of existence. It will, however, have to change its operational strategy in view of declining interest rates and availing of refinance of banks. SIDBI should endeavor to contain non-performing assets and build quality long-term assets and thereby become a strong and vibrant financial institution.

Reference: -

- SIDBI Annual Reports
- SIDBI Report on Small Scale Industries
- WWW.SIDBI.COM

CHAPTER – 3

RESEARCH DESIGN

3.1 INTRODUCTION: -

SIDBI play a role in the growth and development of a country as it provides required infrastructure for economic development of the country. In our country and our state a large population lives in villages and small city. The world has become a global market. The impact of globalization privatization and liberalization has totally changed the style of banking sector in India. In India banking sector is entering in several new activities SSIs. They do all the activities, which can assist their customers. The more highly developed a country.

Small industries Development Bank of Indian (SIDBI) Set up by an Act of Parliament, is the principal financial institution for the promotion, financing and development of industry in the small, tiny and cottage sectors and for coordinating the functions of the institution engaged in similar activities, It commenced its operations on April 2, 1990 by taking over the outstanding portfolio and activities of SIDBI pertaining to the small scale sector. Form a predominantly refinancing institution; SIDBI has emerged as a major purveyor of a wide variety of financial services to the small-scale sector.

3.2 REVIEW OF LITERATURE: -

Lots of literatures are available in the area of small-scale industry and related aspect of its components. Brief review of literature are discussed below: -

- **T**he Karve Comittee - (1) depicted that small industry has been helping in preridity employment and in moring towards decentralized society. The Industrial Resolution of 1956 stressed that some of the problems that unplanned urbanization trend to create may be avoided by the establishment of small centers of industrial production all over the country.

- **T**he Reserve Bank Of India -(2) highlighted the problems faced by the small-scale secter. The rapid growth of the small-scale sector is the result of several qualitative and quantitative factors.

- **L**akadwala and Sandesara (1960)-(3) revealed that in all categories of industrial units production does not take place continuously throughout the year.

- **D**har and Lydall (1961) - (4) assumed the small scale sector with its labour intensive technique should not only preserve scarce capital resources for being utilized more rewardingly in the sector of basic industries but also channels the purposeful productive uses of the abundant labour resources of the region.

- **S**taly (1962) - (5) emphasized that the economic development process implies a shift in the manpower from primary sector to some other sectors of the economy.

- **R**amakrishna (1962) - (6) pointed out the need for improving the availability of finance for the small-scale sector.

- ❖ **M**ahalanobis (1963) - (7) strategy visualized a process of transformation of small and household enterprises into "high efficiency and low cost mechanized units of production.

- ❖ **A**ccording to Rao (1964) - (8) there is a substantial shift of the managerial function with regard to the small unit.

- ❖ **A**ccording to Staley and Moore (1965) - (9) in additional every small industry requires to incur fixed establishedment expenses irrespective the volume of production.

- ❖ **H**arve (1966) - (10) argued that a certain degree of complimentarily was noticed between skilled supervisory staff and the use of low cost unskilled labour.

- ❖ **S**andesara (1967) - (11) examine the relationship between size and capital intensity and also between size and other economic characteristics such as a output wages and surplus each per worker and output and surplus each per unit of capital.

- ❖ **M**ehta (1968) - (12) Examined capital labour output labour and output capital ratics for the three types of classes (small medium and large).

- ❖ **A**ccording to Dandekar and Rath (1970) - (13) there are three questions, which must be asked and answered before one accepts labour intensive technology as the most suitable employment oriented strategy of industries alization.

- ❖ **A**ccording to vepa (1971) - (14) small-scale industries in India are distinct from traditional and village industries are generally modern small firms modern techniques to produce modern products.

- ❖ **A**ccording Verma (1973) - (15) concluded that origin of the small industry movement in India was traced to the industrial policy resolution of the government.

- ❖ **A**ccording Patel (2000) - (16) attempted to correlate the age and experience of entrepreneurs with the success and failure of a firm.

- ❖ **A**ccording Singh (1975) - (17) revealed that the small-scale industries are capable of productivity quality goods or acceptable standard for the society at sutitable cost and may meet the present demand for goods.

- ❖ **A**ccording Pareek (1978) - (18) studied the financing of small-scale industries in the development economy of Rajasthan. He examined that problem of small-scale industries with particular reference to finance and capital structure of 181 small-scale units.

- ❖ **M**athur (1979) - (19) revealed that the growth of small-scale industries depends on the quality and quantity of entrepreneurs available to it.

- ❖ **P**andey (1998) - (20) indicated that the emergence of entrepreneurship is not strictly a physiological or sociophysiological phenomenon but is also conditioned by the political and the administrative system and its commitment to economic development.

- ❖ **A**ccording to Rao (1999) - (21) the policies and programmes adopted by India to develop the small-scale sector are watched with great interest by other developing countries and international organization.

- ❖ **D**onda –(1997) (22) revealed that small-scale industries directly or indirectly absorb large number of persons in the span of employment.

- ❖ **T**ulsi - (23) concluded that the scheme with its defectives feature of providing benefit to all small scale industries unit unequally which shows it as an improper method of providing incentives.

- ❖ **P**apola (1980) - (24) emphasized that the using available traditional skill and requiring little capital they provide suitable employment to the rural household without involving any migration.

- **A**ccording to Shivayya (1990) - (25) development of small-scale industries can successfully prevent migration of people to cities and its resultant consequences in the thinking of modern economists and planners.

- **U**padhyaya (1980) - (26) depicted that the small-scale units suffered from chromic shortage of working capital and a difficult supply of long-term capital.

- **S**uneja (1987) - (27) depicted that the small-scale units suffered from chromic shortage of working capital and a difficult supply of long-term capital.

- **G**eorge (1982) -(28) emphasized that small scale sector in general look for direct attack on poverty and labour under utilization but those are unlikely to be successful without radical change in the ownership of the means of production after the industrial revolution.

- **T**ilso (1982) - (29) revealed that the concentration of distaff units in Gujarat might be due to be textile based industrial development in the state.

- **J**ohn –(1992) (30) revealed that small-scale industries are not decentralized and in fact they serve the interest of big capital as market and supplies of important service.

- **A**ccording to Shetty (1993) - (31) advocated the establishment of small Industrial Development Bank (SIDBI) on the pattern of Industrial development Bank Of India (IDBI) and NABARD to cater financial needs of the small-scale sector.

- **A**ccording to Munshi (1994) - (32) units of the small-scale industries may develop interest in the concepts and tools of personnel management with persistency.

- **F**afale (1985) - (33) there are four Factors of production land, labour, capital, and enterprise, of these labour is abundantly available in the under developed countrial whilw capital is a scarce factors.

- **P**aliwal (1985) - (34) an entrepreneur may have a very realistic estimatial of the tasks involved.

- **P**atvardhan (1985) - (35) concluded that the small-scale units continue to be confined to the big urban center and are associated with large and medium scale industries to a great extent.

- **S**arkar and Mukhrjee (1986) - (36) revealed that the employment and earnings of the workers are diffrent in the small-scale sector.

- **A**ccording to Mishra and Sharma (1987) - (37) there were a number of government organizations to support the village and small-scale industry on paper but their functioning was not quite satisfactory.

- **A**min (1987) - (38) revealed that capital output ratio had a declining tendency among relatively larger size factiry units.

- **M**azumadar (1987) - (39) found that doubts have been raised on the employment generating potential of the small-scale sector and that small scale sector may not be relied upon to generate a large amount of employment.

- **S**uzuki (1988) - (40) emphasized that the production capacity could not be adjusted according to the real development.

- **R**eddy (1988) - (41) Smphasized that disparities exist in the growth of unit's employment and investment among the three regions of the stage.

- **P**atnaik (1990) - (42) revealed that the small-scale industries sector occupies a strategic position of unique importance in the India Economy.

- **S**igngh (1991) - (43) found that traditional industries such as the leather group alone recorded a significant rise in term of employment and productions in traditional goods have shown an upward trend.

- **G**oyal (1992) -(44) revealed that there have been a variety of new trends in Indian corporate sector in general and the small-scale sector in particular.

- **G**harpura (1993) - (45) Pointed out that through the new industrial policy promised bright prospects for the entrepreneurs the government needed to implement it in it spirit.

- **D**orda (1994) - (46) stated that in new industries policy certain core areas were targeted for special support.

- **T**he committee on small scale Industrial (SSI) units -1993 (47) (Chairman: - Shri P.R. Nayak) in its report submitted in September 1992 observed that the SSI sector as a whole received a level of working capital which was only 8.1 per cent of its output and the village industries and the smaller tiny industries among them could get working capital finance to the extent of only about 2.7 per cent of their output.

- **K**ulkarni (1994) - (48) raised various controversial issues such as ownership and control subsidiary control management control and brand name etc. relating to small scale industries.

- **D**agupta (1995) - (49) emphasized that management of the resources available within an organization is the best and the cheapest way of the regard SSI units should pursue with the supplies for the extending their terms of payment which helps such arrangement should be made a head of the time when the additional credit will be needed.

- **S**ince the adoptions of New Economic Policy (1998) - (50) the corporation's financial assistance to SSI sector tender to decline gradually. The new economic policy through envisaged adequate credit to SSI sector. The Programme of Industries estates in India took concrete shape from the beginning of the second five-year plan but there have not been many systematic studies of the subject.

- ❖ **W**illiam Bredo - (51) while discussing the economic characteristics planning and working of industrial estates in a comparative and international flameout of industrial estates in a comparative and international framework has given same insight in to the India scene. A similar study was mad by the United Nations organization based on research studies seminars and technical co-operatial projects. If gives an account of the objects and policies of industrial estates in developing and developed topes, sizes, and problems of management and financing.

- ❖ **F**urther there are important studies on the programme of industrial estates in India by **A**lexander - (52) **D**harond Lydall - (53) **N**agaiya - (54) **S**amasekhara - (55) and **U**rmil Chopra - (56) **B**handyapadyaya - (57) **K**ulkarni - (58).

- ❖ **T**he objectives and implemental of the programme of industrial estates in their early stages in India have been discissed at great length by Alexander - (52) various economic aspects such as the relationship between capital employment and output location and sitting of the estates and entrepreneurs attitude tot the estate etc. at the national level have been discussed by Dhar and Lydall - (53) At the time of there studies the programme of industrial estates was only 6-8 year old in the country lighton the short comings in the implementation on the programme and pointed out its limitations Nagaiya's - (54) study reviews the working of industries estates programme from its inception till 1969 and gives the trends in expenditures. The study of Samasekhara - (55) of particuler importance as the made a flow-up study of the surveyed units offer a decade. The results of the two surveys indicated that the real efficiency. The study by Urmil Chopra - (56) has certain limitations IT covered only nine of the thirteen industrial estates in Kajasthan the analysis in respect of investment, employment and output is confined to the estate units only. Bandyopadhyaya - (57), Kalyan - (58) has discussed the different socio economic context in which the industrial estates were developed but her work is mainly confined to the industrial estates in west Bengal upto 1965.In a study a spatial diversification of manufacturing industries in Gujarat.

- **P**apola (1972) - (59) while furnishing evidence of a continued spatial concentration has noted a decline in the share of factory employment in five most industrialized district from 57 per cent in 1960 to 55 per cent in 1975 and also in 10 industrially last developed areas from 1.10 per cent to 0.56 per cent.

- **M**algawekar 1996 - (60) in his study of problems of small industry in Gujarat has found the law of infrastructure as a general problems the industrial estates alone can not overcome the location disadvantages. The infrastructure facilities were either very weak or man-existent in rural areas. In uban areas with necessary industrial climate and infrastructure facilities the growth of industries. Some studies have been undertaken on various programmes and incentives to small industries promotional activities of DICS and problems associated with the implementation of the problems faced by the entrepreneurs.

- **S**IET 1997 - (61) in its study on hire-purchase has observed that the growth in the number of units and the expansion of capital intensity alone may not create the necessary impetus to the growth unless considerable productivity changes have also been effect through fuller capacity utilisation most of the units utilising full capacity have been either big export-oriented industries or local need-based activities. The development of small Industry also depends on the size of market, which in turn depends partly on the efficiency of the distribution machinery.

- **S**harma (1982) - (62) who made a study on growth and problems of small-scale sector in Gujarat has observed that the backword district of the state improved their relative positions in terms of units employment and capital during 1966-75.

- **S**ekhar (1983) - (63) in his study has observed that the location policies were successful in narrowing the disparities of industrial location in different states, The value added and employment were more equally distributed among the states during 1960 and 1975 as measured by the theirs in equality and the harschman ltirfindhals indices

- **R**ejula Devi (1984) - (64) in her study made on the evolution of rural industries project programme found the following serious deficiencies (1) same part of the assistance as provided to relatively larger amongst small-scale units. (2) Assistance was diverted to towns that were excluded from the preview of the scheme. (3) Rural artisan did not receive adequate credit.

- **I**ndian **I**nstitute of management 1988 - (65) in its study conduced on Evaluation of DIC programme in Gujarat observed that the General Manager DIC as secretary to the single widow committee is expected to hasten up the processing of entrepreneurial cases and thus help the minimization of delay single window committee just recommended and requested for speeder action and the DIC.

- **B**hagvati Committee - (66) opposes fast introduction of mechanization designed to replace human labour but at the same time recommends introduction of sophisticate to the maximum extent possible in the installed capacity in various industries in order to generate employment in the industrial field.

- **K**.V. Bhanyja - (67) has suggested that appropriate technology should be developed to promote the rural small industries.

- **N**.V. Ratnam - (68) opines that infrastructure development for industrialization in the rural areas and investment in basic services designed to realize the full potential of the human resources in the rural areas should receive a high priority.

- **G**unner Myrdal -(69) has recommended the adoption of a strategy based on predominantly labour intensive techniques for creating capital and production the line of approach has been followed by.

- **S**en - (70) **J**ohnson - (71) **V**inodvyasulu - (72) and **R**aj Krishna - (73) suggesting the need for the adoption of an employment-oriented strategy of industrialisation to absorb the rural labour force.

- **T**hin Begen - (74) opines the strategy of industrialisation should lay emphasis on labour intensive industries, which will create more employment and maximise income. He suggests the adopt ional of labour intensive but reasonable efficient techniques.

- **G**autam Mathur - (75) opines that the appropriate techniques in the consumption goods sector will be of law degree of mechanisatial creating incidentally a lot of employment per unit of investment of scarce capital.

- **D**r. **W**.U. Jageh - (76) in his study pointed out that both the capital output ratio and wage capital ratio show an inverse relationship with capital intensity, He recommends the settings up as SSI in countries having large unemployment.

- **A**.C. Minochal - (77) has suggested that the strategy of employment-oriented industrialization should aim at the development of SSI in rural areas.

- **K**.M. Rastogi - (78) in his study suggested that the SSI should make use of the indigenous resources in an optimal manner.

- **U**NIDO's - (79) study indicates that the small enter prices with low level of investment per worker tend to achieve a higher productivity of capital.

- **T**he committee - (80) on the village and SSI in its report has stressed that setting up of SSI will provide employment to the people in rural areas.

- **N**ew Delhi Feb-15, -1999 The small Industries developments Bank Of India SIDBI will go public soon to dilute shareholding of its parent Industrial development Bank Of India. The move will bring down IDBI's stake to below 49 percent as it has already decided to divest 51 percent stake in SIDBI currently a wholly owned subsidiary to financial institutions and banks including life Insurance corporation (LIC) General Insurance corporation (GIC) and state Bank Of India (SBI) at a premium of Rs. 20 per share. Sidbi Chairman & Managing director P B Nimbalkar while confirming the plums to go public however declined to give details “A final decision on the size of the issue had not yet been taken. The size and time of the issue will be decided only after the transfer of IDBI's 51 per cent equity share to financial institutions and banks” he said Sidbi will cease to bea 100 percent Subsidiary of IDBI after other financial institutions and banks require a stake in it Sidbi has a share capital of Rs. 450 crore.

- **M**umbai - Feb 21-1999 The small industries development Bank Of India (Sidbi) has decided to provide relief and concessions to existing small scale industrial units (SSI's) by way of need - based reschedule and additional financial assistance for rehabilitation or reconstruction Sidbi took this decision after the recent earthquake in kutch and after parts of Gujarat which has caused serious damage to SSIS for this purpose the Gujarat state Financial Corporation (GSFC), GIIC, and commercial bank would be provided with additional resource support through Sidbi's special relief refinance scheme among others to suggest ways of providing assistance to the state.

- **A**ll the schemes of **SDIBI** both direct and indirect assistance are in operation in all the states of the country through 39 regional / branch officer of SIDBI. Promotional and development SIDBI is actively involved in promoting tiny and small scale industries by means of its promotional and developmental activities through suitable professional agencies for oraganising Entrepreneurship development programs, Technology up gradation & Modernisation programmes, Micro credit schemes and assistance under Mahila vikas to bring about economic empowerment of women specially the rural poor by providing them avenues for training and employment opportunities. -1999

- **I**ndia Banks Association Chairman S.S. Kohli saic that the banks would ask for softer loans similar to the super cyclone in Orissa currently banks obtain refinance from the open bank at percent. -2000

- **A**ccording an eight-member committee was appointed yesterday headed by Dena Bank Chairman P.N. Joshi and comprising of representatives from Bank Of India, Bank Of Baroda, Central Bank NABARD and SIDBI. -2001

- **R**eview of literature indicates that various studies has been conducted to examine the small scale sectors and its role in the various areas. But no specific study has been conducted to study the role of SIDBI in the industrial development of SSI.

3.3 THE PROBLEM: -

The small-scale industries sector plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. It has been estimated that a 90 billions of Rupees of investment in fixed assets in the small-scale sector and produces 7420 billions worth of goods or services with an approximate value addition of ten percentage points. The small-scale sector has grown rapidly over the years. The growth rates during the various plan periods have been very impressive. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000.

For the development of small scale industry appropriate finance is the main requirement. After the liberalization and globalization of Indian economy various multinational have started his business in the India. In this situation to compete with MNCs there is a need to provide adequate infrastructure and financial assistance to the small-scale industries. For this purpose central government and state government has established various financial institutions with the objectives of to provide financial and other assistance to medium and small-scale industries of India.

In the present study an attempt has been made to study the role of SIDBI in the development of small-scale industries.

3.4 OBJECTIVES: -

- ❖ To study the role of SIDBI in the development of SSI.
- ❖ To examine the position of SSI in Gujarat and analyze the role of SIDBI in the development of SSI.
- ❖ To study the operational strategy of the SIDBI.
- ❖ To evaluate the financial position of SIDBI.
- ❖ To review the assistance provided by the SIDBI.
- ❖ To make suggestions for policy development of SIDBI.

3.5 HYPOTHESIS FOR THE STUDY: -

The study is based on the following hypothesis:

- ❖ The SIDBI has not been successful in the development of small scale Industry.
- ❖ The SSI is not developed properly in the country due to the inadequate financial support.

3.6 UNIVERSE OF STUDY: -

The universe of study consists of all the financial institutions working in India. For the purpose of study I have tried to study the role SIDBI in the development of SSI.

3.7 PERIOD OF STUDY AND DATA COLLECTION AND DATA ANALYSIS: -

The study is based on secondary data taken from published annual reports of SIDBI and other financial institutions. The published annual reports of institutions have been collected from the registered and corporate offices of respective institutions. The present study is made for eight years from 1996-97 to 2003-04. Various publication of SSI, Government reports and financial institution publications have been used for this purpose. Other information related to the industries have been collected from The Economics Times, Financial Express, R.B.I. Bulletin, other periodicals, journals and from various websites.

The collected data and information were duly edited, classified and analyzed using all type of relevant tools techniques like ratios, average, growth rate, index numbers etc. For the purpose of the presentation of data graphs has been also used at appropriate places.

3.8 LIMITATIONS OF THE STUDY: -

- This study is based on secondary data taken from published annual reports of SIDBI and other government publications and as such its findings depend entirely on the accuracy of such data.
- There are different methods to presentation of various information by various financial institutions.
- The present study is largely based on financial assistance provided by the SIDBI to the SSI sector only.
- The different views have been applied in the financial policy of various financial institutions of India, which is also applicable to the SIDBI.

3.9 CHAPTER PLAN: -

Chapter - 1 - Introduction

Chapter - 2 - Small Industries Development Bank of India: "An Overview"

Chapter - 3 - Research Design

Chapter - 4 - Small Scale Industries in Gujarat

Chapter - 5 - Performance of SIDBI in Industrial Development of SSIs

Chapter - 6 - Analysis of Promotional and Developmental Activities of SIDBI

Chapter - 7 - Analysis of Financial Position of SIDBI

Chapter - 8 - Summary, Findings and Suggestions

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CHAPTER – 4

SMALL SCALE INDUSTRIES IN GUJARAT

4.1 INTRODUCTION & MEANING: -

The Meaning of Small: -

Use of "Small" as a designation in industry differentiates one set of industries from others. Comparatively Small in operation employment products, Capital, technology etc. Thus this Small sector share unique problems compared to others. In the case of manufacturing units small industries are to be expected to hare a unique set of problems in relation to their "smallness" that differentiates them from medium and large manufacturing units. At the Same time the Small Sector has unique advantages. Small is not only beautiful but also beautiful but also beneficial efficient and reliable.

Classification: -

Small - Scale Industries are broadly classified into two Sectors.

Traditional Industries: -

(1) Khadi and village Industries
(2) Handlooms.
(3) Handicrafts.
(4) Coir
(5) Sericulture.

SSI Units: -

(1) Small - Scale Industrial under- takings.
(2) Export oriented SSI units.
(3) Ancillary Industrial undertakings.
(4) Tiny enterprise.
(5) Small- Scale Services and Business Enterprise.
(6) Power looms.

According to the second SSI census 50.2 percent of the units were engaged in manufacturing assembly only, of the total SSI units 96,2 percent were SSI units 0,5 percent were ancillary 0,7 percent were export - oriented and 2,5 percent were Small Service establishment of the SSI units 95,9 percent units were Tiny Enterprises and 87,8 percent units employed less than to workers.

(Fig –Chart- 4.1)

-: SSI - Units: -

Small - Scale Industries
↓

Traditional	Modern	→ Power looms
↓	↓	
Khadi	Small Scale	→ With Power
↓	↓	
Village Industries	Export Oriented	→ Without Power
↓	↓	
Handlooms	Ancillaries	
↓	↓	
Coir Industries	Tiny Industries	
↓	↓	
Sericulture	Small - Scale Services And Business Enterprises	

The Definition of Small Industry: -

The definition of Small industry is an important aspect of government policy as it identifies the target groups, The first official Criterion for Small - Scale industry dates back to the second - Five - year plan when it was in terms of gross investments in land building plant and machinery and the strength of the labour force. Subsequently on the recommendation of the Federation of Association of Small Industries of India (FASII) an OPEC organisation of Small - Scale industry set up under the aegis at the Ford Foundation team only the investment in Fixed assets in plant and machinery whether held in ownership terms or by lease or by hire purchase instead of Fixing the limit on overall investment was Considered for granting the Status of a SSI unit.

The term “Small - Scale industries “has been defined in three ways: The Conventional definition includes cottage and handicraft industries, which employ traditional labour - intensive methods to produce traditional products, largely in village households. The employ none or almost a few hired hands; handloom textile industry is an example. Though once famous this sector has been steadily declining

The third definition of Small - Scale industries relater to nation income accounting This includes all manufacturing and processing activities including maintenance and repair services undertaker by both household and non household Small - Scale manufacturing units which are not registered under the Factories At

Definition of various Countries Small Scale Industries: -

The definition of small scale industries differs from Country to Country All the definitions are based upon certain Factors like number of persons employed amount of investment Power, input, production/ turnover, local, technology etc, In most cases number of persons used and investment are taken as the basis for defining the Concept of Small Scale industry. For example in U.S.A. and U.K. employment is taken as the basis for defining Small industry, similarly investment in India, Indonesia and Malaysia, investment and employment in Japan Korea, Phillippines and Indonesia, Turnover in China are taken as the basis for making distinction between Small and industry is defined as follows in various Countries.

U.S.A.

No official definition exists but generally taken to mean less than too employees.

U.K.

A manufacturing unit employing less than 200 employees, in retail 50,000 pounds in wholesale trade below 200,000 pounds turnover In case of Construction unit employing less than 25 employees and in transport unit houring less Small unit.

Japan

In Japan the definition varies depending on the nature of the unit, In manufacturing unit the investment limit too million yen and employing below 300 persons In mining and wholesale trade the investment ceiling is 30 Million per year and employing less than 100 persons whereas in retail trade the investment limit is 10 million yen and employing less then 60 persons.

Korea

In the Case of a manufacturing unit the investment limit is 500 million and employing more than 5 persons but less then 300 in Construction unit 600 million won and persons employing more than 5 but below 50, more than 5 but below so

Malaysia

A Small industry is defined as an unit employing investment less than K.M. 250,000 and there is no Ceiling on the number of persons employed,

Philippines

In Philippines no Specific definition is given, The Small industry is referred as an industry employing assets between P. 100,000 and P.I.O. million and employing workers between 5 to 99 persons.

Indonesia

The Small Sale unit is one, which employs an investment in plant and machinery not exceeding RP. 150 million and investment per person's employed does not exceed Us $ 100.

Sri Lanka

A Small Scale unit is defined as a unit, which is mainly run by power and employing investment not exceeding RS.2 Lakh

The Concept of Small Industry in India: -

In India in the beginning both investment and labour employed are taker into account to define the Concept of Small Scale industry The definition has under gone Changes periodically over the past five decades government policies have been formulated to develop a framework for the revival and development of cottage ting, agro and Small Scale industries, with a view to determining the type of industrial units which needed Special Support it was Considered necessary to develop an appropriate definition for Small Scale units under the Industries 'Development and Regulations Act 1951

Small and Medium Enterprises: -

Small and medium - Sized enterprises have come to play on increasing role in the industrial Structure of developed and developing Countries in Asia and other parts of the world. With the result that a number of nations have witnessed successful SME red economic growth and development There is no Specific definition of Small and medium enterprises. There are only the Concept of Small Scale ancillary and tiny industries, which are, classified according to the value of investment in plant and machinery at the international level the size of a unit in most of the Countries is determined either by the number of workers employed and or by a investment of assets. The general practice among the Countries is to define the size of the unit in terms of the number of employees followed by assets size, In most of the Asian Countries. Units are defined in terms of the number of employees.

On the basis of the employment criterion a micro or very Small units one that employees up to 19 workers, a Small unit is one that employs between 20 to 100 workers while units engaged between 101 and 500 workers are classified as medium sized enterprises. The prevailing definitions in some Asian and others Countries are listed.

Evolution of the Definition of Small Scale Industry: -

There has been many Changes in the Ceiling limit of investment in plant and machinery over the years, The periodic revisions in the definition of Small Scale Industries as made by the government of India is given in employing less than 50 workers per day (with the use of power) or less than 100 workers per day with out use of power Same as above except the criteria based on the employment per day was henceforth replaced by a per shift provision. Same as above except that the criteria based on the employment per day was unceforth replaced by a per shift provision. The employment Condition was dropped from the definition.

In 1997 the Government has increased the investment limit in plant and machinery in respect of Small Scale ancillary Industrial undertaking up to Rs. 3 Crores. Subsequently there has been requests from individual Small Scale industrial units and SSI associations to reduce the investment limit on plant and machinery in respect of Small Scale Industries /Ancillary industrial undertakings, The Govt. has decided to reduce the investment on plant and machinery from Rs. 3 Crores for 1 crore w.e.f. 24-12-1999.

Present Definition SSI (w.e.f. 24-12-1999): -

(1) Small Scale Industries: -

An industrial undertaking in which the investment in Fixed assets in plant and machinery whether held on ownership terms or on lease by hire - Purchase does not exceed rupees one crore

(2) Ancillary Industrial Undertaking: -

An industrial undertaking which is engaged or is proposed to have been engaged in the manufacture or production of parts Components, sub-assemblies, fooling or intermediaries or the rendering of services and undertaking supplies or renders or proposes to supply or render not more than 50 % of its production or services as the Case may be to one or more other industrial undertakings and whose investment in fixed assets in plant and machinery where held on ownership terms or on lease or on hire purchase does not exceed rupees on crore.

<u>Note: -1</u> No Small Scale or ancillary industrial undertaking referral to above Shall be subsidiary of or owned or Controlled by any other industrial undertaking

<u>Note: -2</u> In Calculating the value of plant and machinery the original price there irrespective of whether plant and machinery or new or Second hand shall be taken in to accounts

(3) Tiny Enterprises:

A unit is treated, as a ting enterprise whore the investment in plant and machinery does not exceed Rs. 25 Lakhs irrespective of location of the units.

(4) Women Enterprises:

Small Scale unit where one or more women entrepreneurs have not less than 51 % financial holding. **Condition: -**A Small industry cannot be owned controlled or is a subsidiary of another industrial undertaking.

(5) Export Oriented unit:

A unit with an obligation to export at least 30 % of its annual production by the end of the third year of commencement of production and having an investment ceiling or prescribed for Small Scale undertaking i.e., up to Rs. 1 Crore in plant and machinery, is termed an export oriented SSI unit.

The definition criteria of SSI is Closely linked to the question of ownership since SSI units cannot either be Controlled or Owned or be a Subsidiary of any other industrial undertaking This Suggests. That in the case of proprietary / partnership terms the combined investment of all the units Set up by the same proprietor / partners should not exceed the total investment limit Fixed for a SSI unit. The equity investments by other Companies in SSIs Should not exceed 24 percent of the total equity. The Objectives of such Changes in

Classification are to facilitate and boost the growth of SSIs in the Private Sector to promote SSIs Within the framework of the Social and economic Policies of the Country to encourage technology up gradation among existing units to assist technically qualified entrepreneurs to set up new unit with advanced technology to import product Standards to create opportunists for in - house R & D and to provide thrust to exports.

The village and Khadi Small Industries in India: -

Small Scale industries are the part at the larger village and Small tries Sector which Consists of traditional Industries and Small Scale Industries. The administrative and development framework is given below.

The village and Small Industries Sector is divided into 8 sub sectors, handy khadi and village industry handlooms, Seri Culture handicrafts, Coir, Small Scale industries and power looms while the last two represents the moderns Small industry. The other Six sub - sectors constitute traditional industries modern Small Scale industries and power looms use modern technology and are mostly urban oriented where as the traditional industries are mostly rural and Semi- urban in character - Modern units mostly use power driven machinery and passes superior production technical use as compared to units in the traditional Sector units in this sub-sector are generally stated in close proximity or large industrial centers or urban areas. Small Industries Development Organization provides all types of assistance for the development of these industries.

The khadi and village industries Sector has a greet potential for utilizing local skills and resources by providing and gainful employment to rural artisans and women workers in the rural and semi - urban areas. This sector comes under the purview of khadi and village Industries commission, The Development Commissioner & responsible for the development of the handlooms sector implementation of various schemes for the promotion of the handlooms Industry.

The coir industry in India consists of two segments viz, white and brown fiber. The coir Boazd assists the industry in increasing exports and in improving the quality of coir products, The important products of this industry constitute coir fiber coir yarva, rope, curled rubberized, coir etc. handicrafts employ the traditional skills of ortisans who use a variety of material wood, metal, clay, ivory, Cloth etc., to produce consumer articles and decorative or artistic products Boazel is responsible for the development of Handicrafts Industry.

Supprt Agencies for Small Scale
-: Industries: -

↓

Central Agencies	KVIC	State Agenceis	Other Agencies
↓	↓	↓	↓
SIDO	Colr Board	DIS	WASME
SISIs	Handllom	DICs	N.G.O
RTC	HandiCrafts	SECs	ICSI
FTC	Soricultuer	SSIDCs	FISTI
PC		TCOS	FISME
FTS			OTHERS
PICDC			

4.2 CONCEPT OF SMALL SCALE INDUSTRIES AND STATUS CLASSIFICATION PROGRESS OR SSI: -

The phenomenal growth of Small Scale industries neither is apparent in besides neither Consumer goods this Sector nor produces a wide range of sophisticated and precision items like electronic systems microwave components. Electro - medical equipment T.V. sets etc. The SSI sector currently produces about 8000 items of which a little over 800 are covered by the reservation policy.

There are now a number of institutions at various level to assist the SSI units with technological inputs and other services. The creation of a separate Department of Small Scale Industries at the Bank of India (SIDBI) and National Small Industries Corporation (NSIC) reflects the importance attached by the government to promoting SSIs order to achieve rapid in crease in gainful employment and balanced regional growth.

Basic Information on Small - Scale Industries - Merits - cum - strengths: -

- Less capital requirements.
- Optimum technology adoption.
- Dispersal in rural and backward areas.
- Contraction of regional imbalance.
- Operational Flexibility.
- Quick adaptability.
- Export orientation.
- Wide Spread diffusion of entrepreneurship.
- Editable distribution of economic wealth of the Country.
- Utilization of locally available human and material resources

Table - 4.1 Growth of SSI

Year	No. of units (millions)	Fixed investment (at current prices) (Rs. billion)	Production (at current prices) (Rs. Bn.)	Employment Nos. in million	Export (Rs. billion)
1973-74	0.416	22.96	72.0	3.97	3.93
1974-75	0.498	26.97	92.0	4.04	5.41
1975-76	0.546	32.04	110.0	4.59	5.32
1976-77	0.592	35.53	124.0	4.98	7.66
1977-78	0.67	39.59	143.0	5.40	8.45
1978-79	0. 734	44.31	157.0	6.38	10.69
1979-80	0.805	55.40	216.35	6.70	12.26
1980-81	0.874	58.50	280.6	7.10	16.43
1981-82	0.962	62.80	326.0	7.50	20.71
1982-83	1.059	68.00	350.0	7.90	20.45
1983-84	1.155	73.60	416.2	8.42	21.64
1984-85	1.24	83.80	505.2	9.00	25.41
1985-86	1.353	95.85	612.28	9.60	27.69
1986-87	1.462	108.81	722.5	10.14	36.43
1987-88	1.583	126.10	873.0	10.70	43.72
1988-89	1.712	152.79	1064.0	11.0	54.89
1989-90	1.823	N.A.	1323.2	11.96	76.25
1990-91	1.948	N.A.	1553.4	12.53	96.64
1991-92	2.082	N.A.	1786.99	12.98	138.83
1992-93	2.246	N.A	2093.0	13.406	177.84
1993-94	2.388	35.376	2416.48	13.938	253.07
1994-95	2.571	40.799	2988.86	14.656	290.68
1995-96	2.658	49.620	3626.56	15.261	364.7
1996-97	2.803	54.698	4118.58	16.0	392.48
1997-98	2.944	60.549	4626.41	16.72	444.42
1998-99	3.08	86.106	5206.5	17.158	489.79
1999-00	3.212	72.633	5728.87	17.85	542.00
2000-01	3.312	79.703	6390.24	18.564	697.97
2001-02	3.442	84.329	6903.16	19.223	712.44
2002-03	3.572	90.450	7420.21	19.965	860.12

Source: Development Commissioner (SSI), Ministry of Small Scale Industries, and Government of India

Contribution (1997 - 02)

(a)	Number of units (SIDO) Registered with state Directorate of Industries		23,52 Lakh
(b)	Number of unregistered Units (estimated)		6,62 Lakh
(c)	Employment (estimated)		167,20 Lakh
(d)	Percentage Sharein production (Out put old SIDo units in total Manufacturing Secter estimated -97-98		40, 30 %
(e)	Percentage share in the total exports of the Country (1997-02)	(1) Derect export From SSIs	34, 8 %
		(2) overall derecto And inderect.	45, %
		(3) Non traditional An item is SSI exports.	96,19 %

Status classification: -

According to second All India census Industries (for the base tear - 1997-02) the status classification of SSI units is given below: -

(1) Locational Status: -

Rural areas	42,17 %
Urban areas	47,97 %
Metropolitans areas	9, 86 %
Back ward areas	62,19 %

(2) Organizational Status: -

Proprietary units	80,50 %
Partnership units	16,80 %
Limited Companies	2,10 %
Other category units	00,80 %

(3) Activity Status: -

Manufacturing/Assembling Activity.	50,20 %
Processing	15,20 %
Job work	12, 10 %
Repairing / Servicing	4, 30 %

(4) Ownership Status: -

By Scheduled Caste entrepreneurs	6,80 %
By Scheduled trine entrepreneurs	1,70 %
By women entrepreneurs	7,70 %

(5) Ancillary Status: -

Percentage of registered SIDO working units	0,52 %

(6) Factory Status: -

- Number of units' registered
- Under the Factories Act (as % of SIDO 6,78 % Registered working units)
- Employment in above (as % of the total SIDO24, 17 % working units)

4.2 - Fig.Chart
Terms of Owenership Organisation in a Small - scale industry: -

SMALL SCALE INDUSTRY

↓

PRIVATE

↓

INDIVIDUAL

↓

SOLE
(PROPRIETORSHIP)
PARTNERSHIP

↓

One or More

PUBLIC
(With state participation)

↓

COLLECTIVEOWNERSHIP

↓

JOINTSTOCK

↓

COMPANY/Co-OPERATIVE

↓ ↓

Company Limited

Co-operative Unlimited

4.3 CHARACTERISTICS OF SSI & ROLE AND IMPORTANCE OF SSIs: -

Characteristics: -

(1) Capital investment is Small.

(2) Most have fewer than 10 workers.

(3) Generally engaged in the production of light Consumer goods process my etc.

(4) Located in rural and semi - urban areas.

(5) There is a Plethora of one-person firms.

(6) Virtually all of the se firms are privately owned and are organized or sole proprietorships.

(7) Prop organised or sole proprietor and family workers generally form the largest component of Small industry labour force.

(8) Hired workers are unorganized.

(9) The average person does not work full - line in one activity over the Entire year.

(10) Fixed assets form the largest component of Small units.

(11) Most of the funds come from the entrepreneur savings.

(12) According to the available evidence the small- scale industrial activity has been growing at a faster rate even than large - Scale industries

(13) The incidents of infant mortality are also highest.

(14) Very few of Small - Scale industries has grown up to medium and large industries.

(15) Small - Scale industries activity is beehive of entrepreneurship.

(16) Most of the Small - Scale industries especially Chemical units have been polluting the environment.

(17) Exploration of natural resource is another Characteristics of Small –Scale industries.

(18) Human resources is exploited instead of developing it.

(19) Due to various constraints Corruption cheating is a Common feature.

(20) Small - Scale industries are quality conscious.

(21) Most of them desire to make huge profit in a Short time by hook or Crook.

(22) Invariably optimization and management are very poor and negligible in many Cases.

(23) Financial discipline is very weak and rules and regulations are not adhered to.

(24) Urban units are overcrowded unclean units are overcrowded unclear and with poor layout

(25) Among the Small - Scale industries the slowest growing segment is the one - person firm. **–**

Importance of Small - Scale Industries and Enterprises: -

The Small - Scale Sector has a high potential for Employment dispersal of industries - Promoting entrepreneurship and earning foreign exchange to the Country. The following Points further demonstrate the importance of Small -Scale industries.

(1) Small is Beautiful: -

Small is beautiful said E.J. Schumacher, He maintains that man's Current pursuit of profit and progress, which promotes giant organizations an in creased Specialization, has in fact resulted in gross inefficiency environmental pollution and in human working conditions.

(2) Innovative and productive: -

It is the Small units which are highly innovative though they do not maintain their own research and development wings a disproportionate Shore of innovation success in business seems to Come from "Skunk works " ting groups that tend to out - perform the much larger lobs that offer have a cast of handreds,

(3) Individual Taster Fashions and personalized service: -

Small firms are quick in studying Changes in fasts and fashions of consumers and in adjusting the production process and production accordingly.

(4) Symbols of National Identity: -

Small enterprises are almost always locally owned and Controlled and they can strengthen rather than destroy the extended family and the social systems and Cultural traditions that are perceived as valuable in their own right as well as symbols of national identity.

(5) Happier in work: -

People who work in Small enterprises are happier in their work than those who work in large ones in spite standards of Safety Comfort and welfare facilities.

(6) Always winners of the Game: -

Small enterprises and new entrepreneurs were at the tare front of practically average business boom of the last decade whether it was computers television sets consumer electronic garments, diamond exports or advertising, And they frequently, put the establbhaed large industrial houses, in the shade with the quality of their performance.

(7) Dispersal Over wide Areas: -

It is only small - Scale units which have a tendency to disperse over wider areas, According to the Second All - India Census of Small - Scale units 62,19 percent of the units are located in backward areas.

Advantages or Small - Scale Industries: -

Small Industries have distinct advantages both economic and Social same of there are: -

⇒ Same Small - Scale industries do not require a high level of technology.

⇒ Small - Scale industries are generally labour, intensive and do not require a range amount of capital The energy of unemployed and under employed people may be used for Productive Proposes in an economy in which Capital is Scare.

⇒ Small - Scale industries projects can be undertaker in a Short period and hence con increase production both in the Short and the long run.

⇒ Most developing Countries are rain in certain agricultural forest and mineral resources Small - Scale enterprises can be based on the processing of locally produced raw materials.

⇒ It is Possible both to save and to earn foreign exchange by producing and exporting goods process from local reserves.

⇒ Small - Scale industrial enterprises are the training ground for local entrepreneur on decision making, from Small - Scale industrial enterprises knowledge and skill can be transferred to other enterprises Small enterprises may grow into medium - Sized Industries.

⇒ By creating opportunities for the Small business Small industrial enterprises can bring about a more equitable distribution of income, which is socially necessary

⇒ Small - Scale enterprises in developing countries help to Create economic stability and in society by diffusing prosperity and by checking the expansion of monopolies.

⇒ The development of Small - Scale Industries will creates (ob) in the rural areas at the developing Countries where un employment and wader - employment are high. This will help in reducing the exodzy of workers from the rural to the urban areas in Search of jobs.

⇒ Small - Scale enterprises will make possible a tramster of manufacturing activities from the congested metropolitan to the non - metropolitan and rural areas.

⇒ A part from the linkages between agricultural of rural development and Small - Scale industrial enterprises, there is an essential linkage between large-scale enterprises in the sens that the former create opportunities or facilities for the growth of latter.

Importance of SSI Investment: -

The significance of the Small industries is as follow: -

(1) Of all the manufacturing units in India 92.2 % are in the SSI Sector.

(2) The investment in fixed assets in this sector is about 6.6 %

(3) Employment generation is 40 %

(4) Exports is 29 %

(5) 94 % of the SSI exports in value are in non-traditional items with low import Content.

(6) The Sector is responsible for 92 % in marine products.

(7) 90 % of garment exports.

(8) 80 % of semi finished leather exports.

(9) 29 % exports of engineering goody.

(10) 62, 2% SSIs are established in areas declared as industrially backward by the central and state governments.

(11) About 42 % SSI investment is in rural areas 48 % in urban areas 10 % in Metropolitan areas.

SSI Investment: -

Graph: - 4.2-SSI Investment Metropolitan/Rural/Urban

4.4 ROLE OF SSI: -

Small Scale industries have been organised a vital role in our development strategy

(1) Employment generation: -

In terms of employment generation SSIs are next to a large Section of the Society, In 1997-98 alone SSIs, accounted for the employment of over 17 million people, It is also less Capital intensive and an investment of Rs. one million provides employment to 173 persons a large Scale unit require about five times the Same investment to generate a similar number of employment As for as the future prospects are Concerned the rural non -form sector accounting for about 22 per cent of rural employment Can play a crucial role in the further expansion of employment in the rural areas.

(2) Equitable distribution of national income: -

One of the main arguments put forward in support of SSIs is that they ensure a more equitable distribution of national income and wealth, This is accomplished because of the following two Considerations (1) the ownership of the Small - Scale industries (2) they possess a much larger employment potential as Compared to the large industries,

(3) Mobilization of Capital and entrepreneurial Skills: -

The Small Scale industries are at a distinct advantage of for as mobilisation of Capital and entrepreneurial Skills is Concerned, The Small Scale industries are Capable of effectively utilizing entrepreneurial Skills and other resources spread over the Country and mobilize the savings done by people in areas for flung from the urban Centers, Give the necessary Credit power and technical knowledge a large quantity of latent resources of the economy Can be mobilized for the purpose of industrial development.

(4) Regional dispersal of industries: -

The disparities in the industrial development have increased with the industrialization of a few large cities like Mumbai; Calcutta Delhi, and Chennai, people migrate in large numbers from rural areas creating slums and various social and personal problems. On the other hand Small Scale industries are mostly set up to satisfy the local demands and they Com be dispersed very easily over all the states.

(5) Contribution to exports: -

With the establishment of a large number of modern Small Scale industries the sectors Contribution in export earnings has increased many fold, In 1997-98 about Rs. 44000 crore worth of exports ware recognized from the Small Scale industries.

(6) Produce a wide range of products:

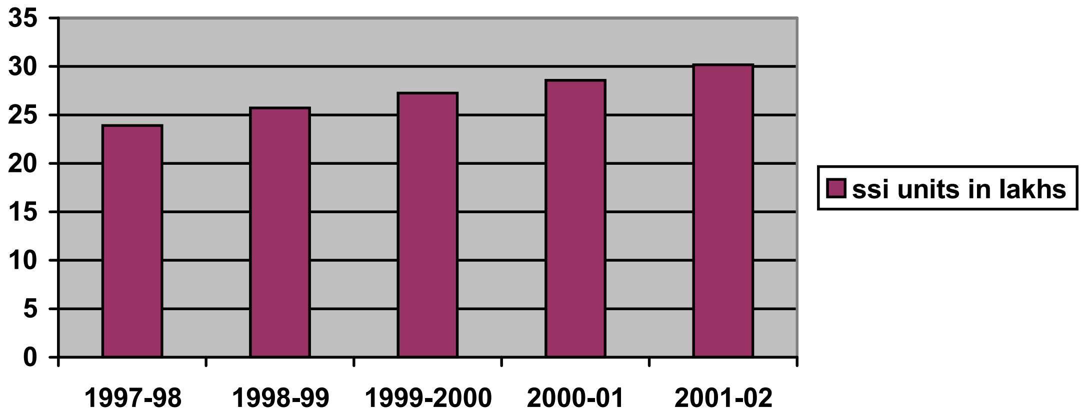
SSIs produce products from Straw baskets to highs technology electronic wore to meet the needs of both the overage Consumer and the sophisticated industries. This diverse products range Contributes to the balanced growth of the sector thus insulating it on the whole from the adverse effects of calamities that may occur in any Sub - Sector of SSIs.

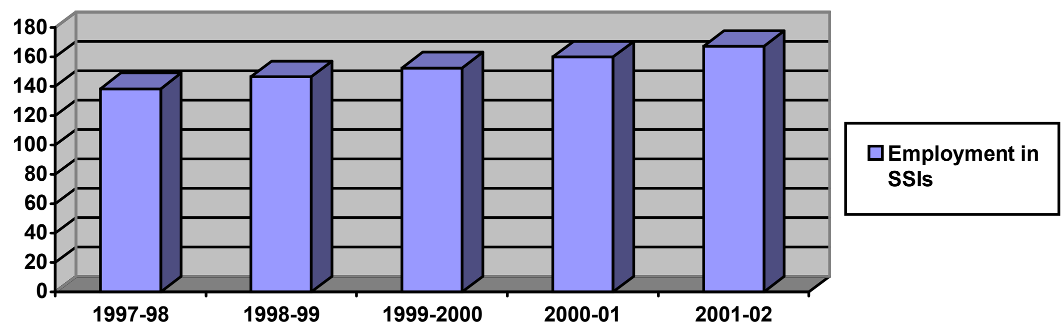
Table -4.2

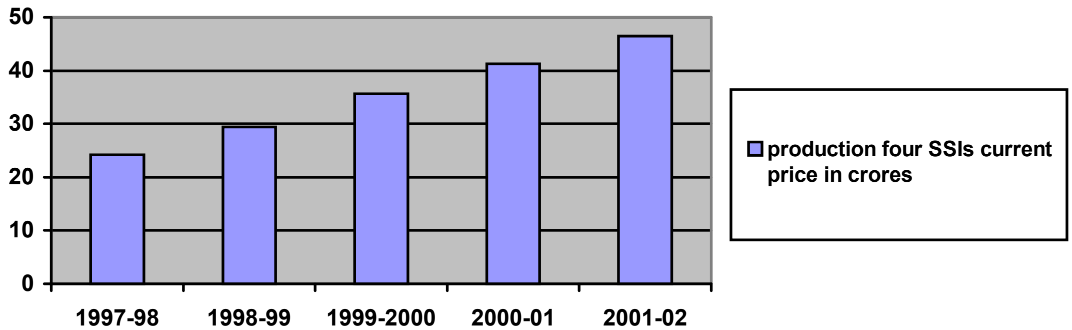
Capital Investment in SSI Sector

Year	Number of Units (Lakhs)	Production in at Current prices (crores)	Production at Constant price (crores)	Employment Is SSI (Lakhs)	Out put and exports of SSI (crores)
1997-98	23.88	24.2	18.1	138.38	250.00
1998-99	25.71	29.4	19.9	146.56	310.40
1999-2000	27.24	35.6	22.2	152.60	390.60
2000-01	28.57	41.3	24.7	160. 00	439.52
2001-02	30.14	46.5	26.8	167.20	449.40

Source: - Figure given in National Accounts Statistics 1997-02



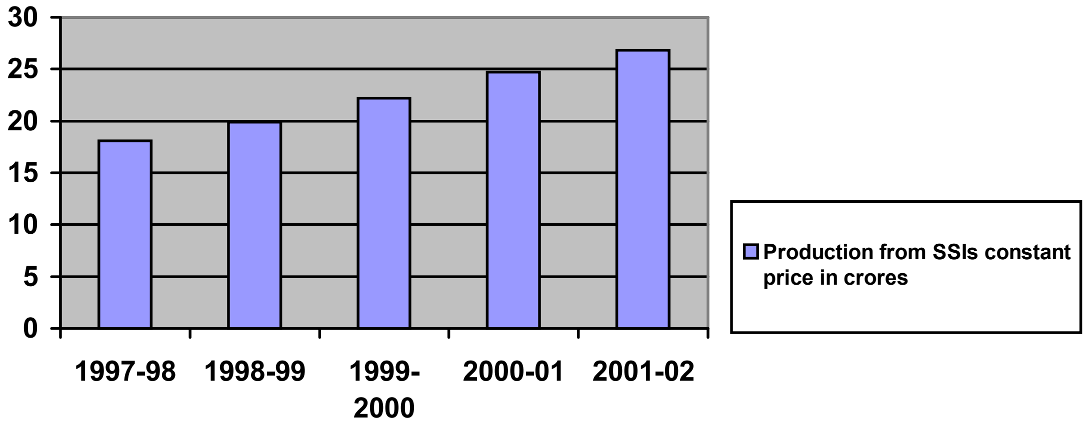


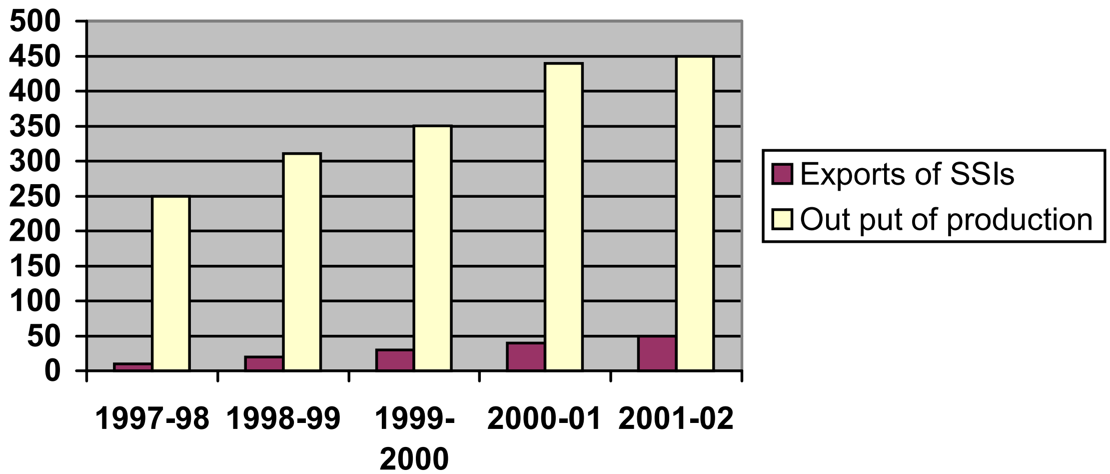


Graph: - 4.3- Number of Units (Lakhs)

Graph: - 4.4- Employment is SSI (Lakhs)

Graph: - 4.5- Production in at Current prices (crores)





Graph: - 4.6- Production at Constant price (crores)

Graph: - 4.7- Out put and exports of SSI (crores)

State Government Policies and Support Structure: -

Small Scale Sector is a state subject under India Constitution and therefore the Primary responsibility for all executive action in regard to the development of Small industries and implementation of the Programmas of assistance is that of the state government. The organization al Structure of state Government level for promotion of SSI Sector is as follows: -

(1) State Directorate of Industries (DIS)

(2) District Industries centres (DICs)

(3) State Financial Corporations (SFCs)

(4) State Small Industries Development Corporations (SSIDCS)

(1) Directorate of Industries (DIS): -

The main responsibility for the development of Small Scale industries lies with the State and is looked after by the Directorate of Industries in each state and union Territories. Each directorate is staffed with administrative and district general managers with supporting staff in each district Each State Directorate of Industries is assisted by an Additional Director and a number of Deputy Directors. Assistant Directors and Technical Officers in Charge of Specific field activities. At the district level the work is looked after by the District Industries officer (General Manager He is assisted by one or two inspectors depending upon the quantum of work and the industrial importance of He district. In each State the Director of Industries implements the State Government policies and directives for promoting industrial development The Central policies for the SSI Sector Serves as guidelines for forming State level Policies as well as package of incentives. The Director of Industries also oversees the activities of their field offices viz. District Industries Center at the district level. They provide a wide range of facilities. In order to avail these facilities SSI units are Directorate of Industries of State /UT Governments.

The number of units granted permanent registration is highest in 1989 (17,3%) i.e., after the establishment of DIC and Subsequently the growth rate was declined and it was S, 1% in 2002 The growth rate of SSI unit granted permanent registration is about 10,2 during the years 1989 to 2002.

Same at the importance facilities and incentives Provided by.-Directorate of industries are as follows :-

(1) Land developed plots and sheds in industrial estates on easy terms.

(2) Necessary infrastructure at developed sites e.g.. Power water Communication etc.

(3) Capital Subsidy on investment in fixed assets in selected backward areas at varying rates.

(4) Sales Tex deferment / tan holiday

(5) Relief on octroi, electricity duty stamp duty

(6) Interest subsidy

(7) Power subsidy, Subsidy on generating sets.

(8) Financial assistance for preparation project reports.

(9) Seed Capital for starting projects.

(10) Subsidy for obtaining technical know - now

(11) Subsidy for testing the products in approved test houses.

(2) District Industries Centers (DICs): -

The District Industries Centres programmes was initiated in May 1978, as a Centrally-Sponsored Scheme with the objective of developing the Small ting and Cottage Sector industries in the Country and to generate greater employment opportunities especially among rural and backward areas. The establishment of DICs at the district level aimed at providing support

facilities Concessions services in dispersed rural areas and other Small towns. There were 430 centrally approved DICs which covers almost all parts of the Country except metropolitan cities at the time of the withdrawal of the Control Sponsorship in 1993-94 at present there were 520 DICs have been Set up almost one for each district throughout the Country and DICs are being operated by respective States. Under DIC programme the entrepreneurs will get all the facilities and assistances under one root at the district and sub-district Level. The extension services provided by the DICs include

(1) Dissemination of information

(2) Supply of machinery and equipment

(3) Provision of row materials and quality inputs

(4) Arrangement for credit facilities

(5) Marketing and Consultancy

(3) State Financial Corporations (SFCs): -

State Financial Corporations came in to existence under the Provisions of the State Financial Corporation Act - 1951. At present there are 18 State

Financial corporations of which it were set up under the SFCs Act and one viz, Tamil Nadu Industrial and Investment Corporation Ltd. under The Companies Act, The main objectives o the SFCs are to Finance and promote industrial enterprises in their respective states for achieving a balanced regional growth to Cottage investment generate employment and widen the ownership base of industry Financial assistance to industrial units is provided by way of term loans direct subscription to equity / debentures guarantees discounting of bills of exchange and seed Capital assistance They also provide financial assistance for Small road transport operators hotels tourism - related activities hospitals nursing homes State financial Corporations operate a number of Schemes of refinance and equity type of assistance formulated by IDBI SIDBI of or SSI SFCs - made several Schemes for artisans and Special target groups such as SC/STs women entrepreneurs ex-service man Physically handicapped persons under the single window Scheme of SIDBI SFCs have been extending working Capital

Table 4.3
Assistance to Small Scale Sector by SFCs During 1989 to2002 (Rs. crores)

Year	Total Assistance		Small Scale Sector		Small Scale Sector as % of TOTAL	
	No. of units	Amount	No. of units	Amount	No. of units	Amount
1989-90	29964	1211	27868	998	96.2	824
1990-91	33510	1305	31849	1004	95	769
1991-92	34498	1391	32804	1118	95.1	804
1992-93	41664	1514	40466	1263	97.1	834
1993-94	49177	1884	45092	1492	91.7	800
1994-95	38040	2015	36713	1686	96.8	855
1995-96	29641	1909	18279	1564	95.4	818
1996-97	31891	2702	28331	1920	88.8	711
1997-98	35998	4189	30224	2513	84	600
1998-99	34440	3545	26473	2115	76.9	597
1999-2000	NA	2629	NA	1768	NA	673
2000-01	NA	1864	NA	1365	NA	732
2001-02	NA	2204	NA	1917	NA	734
TOTAL		**32328**		**22187**		**68.6**

Source: SIDBI Report on SSI Sector NA. Not available/

The industry wise analysis revels that a major portion of Sanctions include Services (21, 4 %) food products (10, 8 %) Chemicals & Chemical Products (6. 4 %) textiles S.S-1 rubber and rubber products (46, 19 %) during the period 1999-2002 The analysis of the above table -3.4 indicates that 54 % of the total assistance sanctioned by SFC was against the First Seven industries and the remaining 46% was to other industries. The one - May Committee

(4) State Small Industries Development Corporation (SSIDCS): -

State Small Industries Development Corporations were established in various States under the Companies Act 1956 as State Government undertakings for the development of Small, Tiny and village industries in their respective State / union Territories. Being operationally flexible it undertakes a variety of activities for the benefit of the SSI Sector Such as.

(1) Procurement and distribution of scarce raw materials.
(2) Supply of machinery to SSI units on hire - purchase basis.
(3) Providing assistance for the marketing of products.
(4) Construction of Industrial estates provision of allied infrastructure facilities and their maintenance.
(5) Extending seed Capital assistance on behalf of the State Govt.
(6) Providing management assistance to Production units
(7) Management at State emporia for providing Sale window for handlooms handicrafts and SSI items.

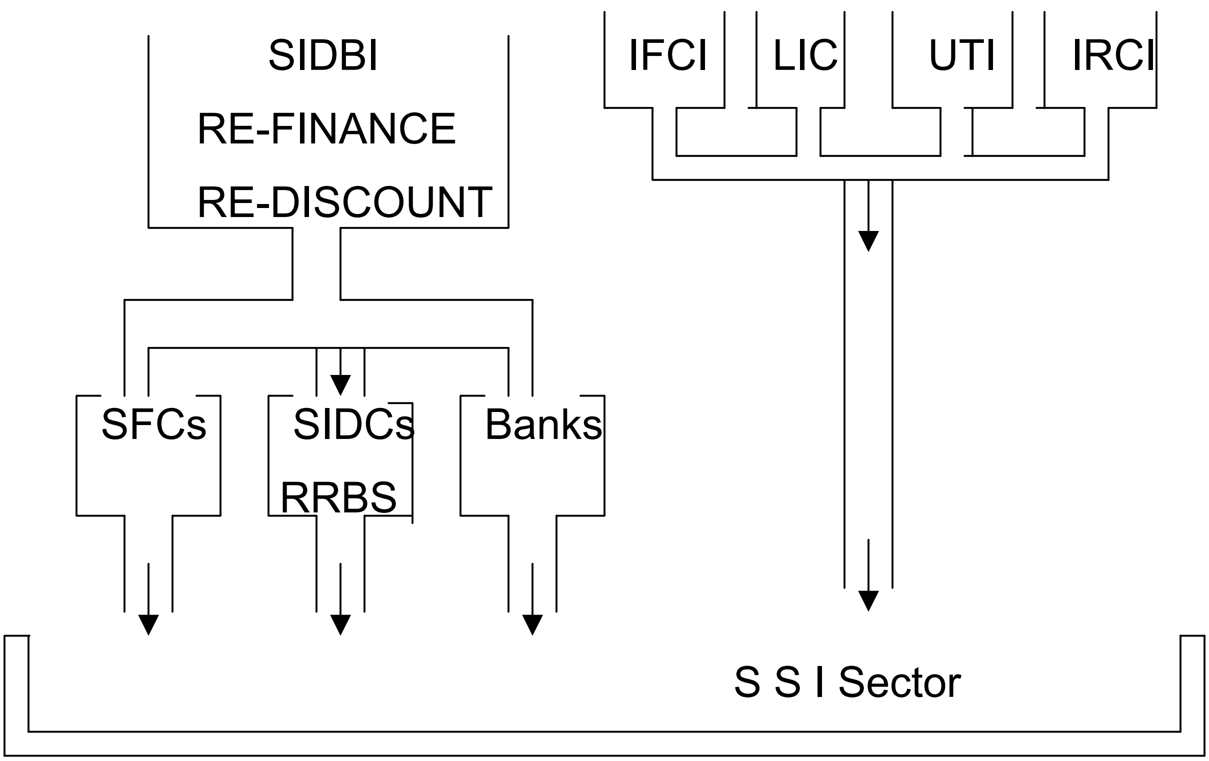
(5) Technical Consultancy Organisation (TCOs): -

Technical Consultancy organization were set up in different States with the object of providing a package of Consultancy Services to Small and medium enterprises individual entrepreneurs, Govt. departments State level institutions and Commercial banks for financing activities relating to industrial development The activities of T.C. O. includes pre - investment Studies preparation of project profiles and feasibility Studies undertaking industrial Potential Survey identification of potential entrepreneurs and provision or technical and management assistance undertaking marketing research and Surveys for

Specific Products Carrying out energy audits and energy Conservation assignment undertaking export management consultancy for export oriented projects Conducting entrepreneur ship development and Skill up gradation Programmes etc.

(6) Other State Level Agenesis: -

There are also other State level agencies that extend facilities for the promotion of SSIs Such as state Industrial Development / Investment Corporations State Infrastructure Development Corporation, Agro Industries Corporations Handloom & Handicrafts Corporation and Housing and Urban Development Corporation Ltd. etc.



(4.3 - Fig.Chart: -Flow of credit SIDBI to SSIs)

(More then 80% of the assistance extended by **SFCs** during 1997 to 2003 went to the SSI sector)

4.5 PROBLEMS & SICKNESS IN SMALL SCALE INDUSTRIES: -

PROBLEMS SMALL SCALE INDUSTRIES: -

In spite of various measure taken by the Government to promote the Small Scale Sector the industry is still facing man problems in our country, The inefficiency in management poor training among entrepreneurs lack of proper planning and forecasting hereditary entrepreneurship etc. are grave Concern in Small Scale industries the planning Commission has underlined some of the following problems of SSIS in India.

(1) Acute Competition from abroad and from large Scale industries in India.
(2) Shortage of required raw material
(3) Lack of up to data machinery equipment and technical know-now
(4) Lack of effective marketing backup
(5) Lack of adequate finance.

The problems of SSIs may be broadly classified in to two categories Internal Causes and external causes, the internal problems are beyond the Control of management the following are some of the internal and external Causes.

Internal Causes: -

(1) Absence of technical know - now
(2) Old and obsolete production methods
(3) Obsolete plant and machinery
(4) Locational disadvantages
(5) Lack of R & D and feed- back facilities
(6) Heavy inventory accumulation
(7) Defective pricing policy and promotional
(8) Techniques
(9) Poor debt Collection

(10) Low quality and ineffective brand names and packaging

(11) Low bargaining power

(12) Lack of professionalism and industrial relations

(13) High Cost of inputs etc.

External Causes: -

(1) Non availability of raw material

(2) Power Shortage

(3) Infrastructural bottlenecks

(4) Frequent Changes in Govt. Policies and Control

(5) Procedure delays in sanctioning licenses

(6) Lack of Co-ordination among promotional agencies

(7) Labour unrest and natural Calamities etc.

The grim reality facing India today is the twin problems of poverty and unemployment both these issues are intimately interred linked. In addition to backlog of unemployment of about 100 million people about 15-20 million people are joining the labour force every year mostly from rural areas Besides There is also a Sizeable level of disguised unemployment the agriculture Sector in India has no Scope to absorb the massive unemployed rural population similarly in the absence of well developed infrastructure of power transport, roads, ports, railways telecommunications, etc.

For instance despite several policies and measures to expand availability of Credit to SSIs through term lending institutions SIDBI, SFCs, STDCs, NSIC, etc and Commercial banks the actual availability is hardly about 7 percent of their total value of production by way of working Capital against a desirable norms of 20 percent fixed by the governments high powered Committee and 55 percent fixed Capital assets. The overall credit availability is only about 13 percent of production value. This in fact is at the root of the problem of SSIs not being able to undertake modernization and up gradation of technology, which requires Considerable amount of investment. The SSIs attribute this to the unhelpful and indifferent attitude of management of lending institutions and Stringen nourly and rules regarding Collateral security and guarantees the SSIs the refore have to fall back upon the money lenders relatives and other non banking institutions for raising loans which quite often leads to the Companies becoming sick because of the high rates of interests and other Conditions, in case of marketing assistance policies although the government has re served several items for exclusive purchases programmes and promoted ancillary development as of the policy year in actual practice these measures have touched only the tinge of the marketing problems faced by the SSIs.

(I) Financial Problems: -

Finance is as crucial to an enterprise as is blood to the human body. The requirements of Finance is inevitable for setting up a new enterprise almost every wherein the world, However funds for setting up new enterprise has been made available more liberally to the entrepreneurs in the western world then in a developing one development of financial institutions were answer to Support new enterprises but slowly they have started equating them selves with Commercial banks in terms of stringency and rate of interest.

Easy availability of Credit both in terms of need and Cost is the pre-requisite of all enterprises, In India despite of the government having taken several measures to expand availability of Credit to Small enterprises through Commercial banks for working Capital and through term lending institutions SIDBI, SFC, etc, the problems of SSIs are for over Despite of all facilities the Sectors has been facing the following major problems in financial area.

(1) Long term Capital
(2) Working Capital
(3) Long term funds
(4) Recovery
(5) Taxation
(6) Inadequate finance.

(II) Administrative Problems: -

In this environment of competitiveness it is essential that all the resources re put to optimal use resources are put to optimal use. In this Context the Human resources are assuming importance, as optimal usage of other resources would largely depend on them. Some of the European Countries have excellent vocational training and apprenticeship programmes. Similarly in the developing Countries Skilled manpower Continues to be short in supply lack of resources also hinders any development for training programme of the human resources. Most of the Small enterprises in India are "One man Show "There is hardly any Scientific management in Small units, However awareness in increasing both at the unit and government levels and numbers of programmers are also being drawn up.

There is need to evolve an integrated plan of action for upgrading the skills of the workers supervisions and office staff of SSTs to enhance their productivity and qualitative improvement to equip then to Complete global.

Also the industry associations will have to work in close collaboration and liaison with the vocational training institutions including I T I to ensure that job - oriented training skills are imparted to the youth not only to ensure availability of right type of skills but also from the point of view of the employability of trained manpower for the new and modernizing SSIs, As regards rural industries, it Should be kept in mind that keeping in view the knowledge of Three Rs' is ensured for all planning for their employment in rural industries may be taken up early in their lives, By the time the rural youth reaches the middle School level depending upon their aptitude their vocational training in terms of familiarization and working of the tools of the Craft or trade Should be Complete Further Specialization and training will depend upon the attitude of the worker for hard work and desire to progress, The following are the major problems Administrative area.

(1) Faulty Planning
(2) Poor Project implementation
(3) Poor management
(4) Labour problems
(5) Capacity utilization
(6) Lack of vertical and horizontal integration
(7) Inadequate training Skills
(8) Lack of Strategies
(9) Infrastructural Problems (Location, Power, water, communication)
(10) Lack of Scientific and industrial research
(11) Bureaucratic red tape and regulations.

(III) Marketing Problem: -

As regards marketing this stands out to be the Crux for ultimate success of an enterprise Goods produced must be sold because the Small entrepreneur can hardly afford inventory build – up. It is essential to recognize that sub-contracting is widely practiced in Japan and it is a major Source of strength for competitiveness of Japanese industries against the American SSIs and European counter parts about two thirds of SSIS in Japan have been involved in Sub- Contracting. As opposed to his only about 25 percent of Small industries in India are involved in Some kind of ancillary work sub-contracting or job - work Despite the recognition of gainful role of Sub- contracting its Commercial application is not widespread in our Country.

Ancillary development in India did gain considerable ground with the India government setting up of the first ancillary industrial estate in the Country during 1970, at Bangalore through collaborative efforts, of HMT as a parent Company while lysic provided machines and equipments the State Government was responsible for developing infrastructure and sheds, The parent child relationship between Company and the ancillary units had a, good impact during 60's and 70's But it has undergone a considerable Change over the time into a natural business relationship between the main trim and its sub-Contracting Component manufacturers, Small industries have grown by and large independently of large industrial under takings in India but of the some time subcontracting relationships have been getting stronger wherever they are existing.

Sub - Contracting is expected to emerge as a major mechanism of strategic alliance between large and Small firms to make then globally competitive. This would also be a major area of opportunity for the Small industries as Sub-contracting will after Small industries access to improved technology and manufacturing processes as well as markets Small enterprise in variably seem to have better and efficient organizational features like quick decision making, product development lower production Costs' etc and hence are Cost effective There fore strategic alliance of large and Small industries are mutually beneficial. Studies have Shawn that the Scope for sub-contract is Hugh particularly in the automobiles, electronic and severed other Sectors.

In India it has been noted that Small enterprises Supplying manufactured products in the open market as well as to large Scale units as ancillaries continue to remain at the receiving and due to irregular payments, This seriously affects the production cycle and is one of the main reason for Closure of many Small units, Even legislation in this matter has been of title help as the small enterprise neither have time nor grate nor financial capacity to wait long for payment in respect of goods Supplied Although sub contracting by large firms to Small units is nor beneficial for both appropriate procedures norms and Code of behaviour will have to be devised to make sub- Contracting arrangements Successful, It has been found that where sub-Contracting . Relationship between large and small enterprises is loosed on mutual benefit SSIs are progressing very well it over despite all these facilities provided by the government SSIs are facing the following marketing problems.

(1) Lakh of knowledge of markets
(2) Competition with medium and large size industries.
(3) Branding problems
(4) Lack of after sales services

(5) Distribution problems,

(6) Advertising and sales promotion problems,

(7) Poor bargaining power

(8) Unfamiliarity with exports activities.

(IV) Production Problems: -

Technology and modernization of the industry particularly of the Small Sector is going to play a very important role, so far as the Small Sector is concerned the thrust of technology policy has been on indigenization and improved technologies through indigenous effort till few years ago. But this approach is undergoing a change In the Changing technology environment very fast and astounding technological Changes are taking place in almost all the fields.

(1) Technology Revolution: -

Industrial Revolution ushered in the last Century propelled the growth of industries backed by the inventions with for reaching Consequences. The world is undergoing every human being and all holks of life Changes are indeed so last a generation con see by itself First generation Computers filled the entire big Sized room and it took 35 years to fit the machine on the desk, However Desk Top to Lap Top come less then a decade similarly, Fax voice mail electronic mail and now Internet have all Come into wide spread use in less than a decade, According to Jahn Naishitt (GLOBAL PARABCDC) telecommunication encompassing telephones, televisions, Computers and Consumer electronics will be the driving force and simultaneously create high global economy and make its parts, Smaller and more Powerful . The Predictable scenario is emerging in the 21th Country were by bell the telecommunication capabilities could possibly fir on our desk in our carry or even in the palm of our hand obviously information technology will drive Changes just as surely as many factoring brought changes in the industrial are, Further the global industrial Scheme in the next decade is expected to undergo wide Spread Changes SSIS have a formidable Challenge before then to change with the Changing technologies imbibe then end mane their operations efficient and globally Competitive.

(2) Indian Technology Scenario: -

Coming to Indian Small Scale Sector the thrust of technology policy has been on indigenization and development of improved technologies through indigenous R & D Centres presently more than 8000 products from goods Consumer items Components. Intermediates to many Sophisticated products both for domestic use and for export are being produced by the Small units out of this 836 items are reserved for exclusive production by the SSI Sector, These polices were formed on the assumption that the Small Scale industries apply labour intensive technologies and would manufacture economically a large volume of goods Thus Surplus labour available in the Country for particularly in rules and Semi urban areas can be utilized and employment opportunities Could be Created through growth of this vital Sector.

Despite all these facilities these are the problems in production area.

(1) Lack of raw material
(2) Capacity utilization
(3) Poor quality
(4) Inadequate utility Services
(5) Technological problems
(6) Scale of production
(7) Lack of Standardization.

SICKNESS IN SMALL SCALE INDUSTRIES: -

Government has been encouraging the establishment of new industries in Small and ting Sectors by providing various incentives and liberal financial assistance on one hand on the other hand industrial Sickness among these units has been Spreading, The growing incidence of Sickness is one of the most serious problems being faced by the industrial Sector in India. Today the impact of industrial sickness on a developing Country like India becomes disastrous It leads to unemployment loss of production under utilization of productive assets and blockage of saving of the Community The sixth Five year plan observes the Consequences of Sickness of the phenomenon of industrial Sickness not only tends, to aggravate the problem of unemployment but also render infrastructure Capital investment and generally Creates on adverse climate for the industrial growth. Industrial Sickness is a gradual process and does not develop suddenly, In the primary Sage it will be reflected in the format defects in the functional areas of the unite Such as management production and finance, Next Stage it well be observed in the form of symptoms such as unsatisfactory turnover in the account deterioration in the production sales and profitability slow and unsatisfactory movement of stocks and asking for additional grant.

Process Of Sickness

<u>**I - Stage**</u>	<u>**II - Stage**</u>	<u>**III - Stage**</u>	<u>**IV - Stage**</u>
(1) Normal Stage	Indicators	(1) Continues decline	(1) Sickness
Functional areas	(1) Frequent break	in financial ratios	market price
Carried on	down of plant		
Efficiently	(2) Irregular bank	(2) Delayed Payments.	
	Account	(3) persisting shortage	
	(3) Default in Payment	In Cash	
	of statutory dues	(4) Non provision of	
	(4) Decline in capacity	accrued liabilities	
	Utilization	(5) Frequent loans	
	(5) Decline in technical	from banks, Ratios,	
	market prices quality	efficiency financia	
	and turnover of personnel		

Sickness means the Cumulative result of Continued losses lending to an erosion of net worth and reduction of the economic viability of on industrial unit In other words it a time to generate surplus internal funds for servicing its long and Short term debts it is Said to be sick A sick unit is unable to generate internal

Surplus on Continuous basis. It depends on external funds to carry on its day-to-day operations,

t is generally observed that a sick unit is one which work below 20 % of its installed Capacity It is also defined a Sick unit as which operates at lower than breakeven point, A healthy units is a which assures both a reasonable return on Capital and reserves after providing depreciation units Which can not assure reasonable return on Capital and maintain adequate amount resources are defined as sick units.

The Reserve Bank of India has defined a sick units as that which has incurred Cash loss for the last year and in the judgment of the back is likely to Continue incurring Cash losses for the Current year as well as in the following year and has an imbalance in its financial Structure so as to make the Current ratio less then one and there is a worsening debt Equity ratio (total out side liabilities to net worth Thus the RBI has adopted profitability Current ratio and debt equity ratio financial factors for identifying industrial sickness.

The Development Commission Small Scale Industries has defined sick Small Scale units as follows,

"A Sick Small Scale unit is one which has car incurred cash losses in the previous accounting year and is likely to Continue to incur cash loss in the Current accounting year and has erosion on account of Cumulative Cash losses to the extent of 50% more of its net worth and/or (b) Continuously defaulted in meeting four Consecutive quarterly installments of interest or two half yearly installments of principal on term loans and there are persistent irregularities in the operation of its credits limits with the bank while both the Conditions (a) and (b) Should be satisfied in the case of Small Scale industrial units it would suffice if either alterative (a) or (b) is Satisfied the Case of time and decentralized Sector units

The economic Survey 1989 for Small Scale industrial units should be considered as sick if it has at the end of any accounting year accumulated losses equal to or exceeding 50% of its net worth in the immediate preceding five accounting years,

Considering the above definitions a sick unit may be identified with the following Criteria,

(a) A Sick unit is one that has incurred each loss in the immediately preceding two years and in the judgment of Credit institutions is expected to incur these losses during the current year

(b) Sick unit is one whose net worth has been eroded to the extent of of least 50%

(c) A sick unit is one whose working Capital advance account with the bank was irregular and this persisted over a longer period of time say 12 to 18 months and is likely to become more persistent.

(d) A sick unit is one, which has defaulted in paying four consecutive half yearly installments of principal and interest on term loans if any.

Causes of industrial Sickness: -

Industrial Sickness gradual process and does not develop suddenly, in the initial stage it gets reflected in the form of defects in the functional areas of the unit such as management production finance. After that it is observed in the form of symptoms such as default in repayment of long-term loans frequent irregularities in operation of bank account unsatisfactory turnover in sales deterioration in production and Capacity utilization levels. Falling profitability utilization levels, falling profitability of firm or on increase in losses and increasing debt equity ratio.

The Causes of industrial Sickness may be due to: -

(1) Weak equity base and limited resource position, which leaves no room for errors.

(2) Starting on industry without having a fully developed product,

(3) Lack of product planning and Control

(4) Inadequate assessment of market and poor marketing Strategy

(5) Poor production planning and Control

(6) Poor financial planning and management

The causes of Sickness many differ from Case to Case. The Causes may be divided into two main Categories.

(1) Internal Causes

(2) External Causes

(3) Other Causes

(1) Internal Causes: -

(a) At project planning Stage: -

The Causes for industrial sickness may be at project planning Stage, which may be due to. Inadequate technical know ledge wrong choice of manufacturing process/technology wrong Choice high Cost of inputs under estimation of financial requirement unduly large investments in fixed assets wrong Capacity decision,

(b) At production stage: -

The Causes at production stage are mainly due to poor quality control poor Capacity utilization high cost of production poor inventory management and inadequate maintenance. In efficient handling of labour problems high wage structure excessive manpower poor labour productivity and labour relations.

(c) At Financial Management Stage: -

The Sickness at financial management Stage may be on account of poor working Capital management faulty costing procedure inadequacy of owned funds poor receivable Collection,

(d) At marketing management stage: -

The sickness may be due to Creation of a narrow market base poor sales efforts dependence on limited Customers.

(e) At Administration Stage.

Incompetent management dissensions within management lack of delegation of authority may be the reasons for sickness of administration level.

(2) External Causes: -

The external causes for Sickness may be due to

(1) Decline in public investment

(2) Shortage of finance and working Capital

(3) Surplus labour

(4) Recession in demand

(5) Non availability of adequate inputs like raw materials power transport etc.

(6) State policy relating to production pricing distribution and Control and unwholesome industrial relations.

(3) Other Causes: -

Sickness is also caused by obsolesces of articles produced lack of organized marketing devices entry of large Scale enterprises abrupt Changes in government policies infrastructure bottlenecks improper product mix poor collection of debtors and bills receivable etc.

A Study was Conducted by Indian Coun of Small Industries or sickness of SSI units and found the following Causes for industrial sickness in

(1) Shortage of raw materials

(2) Labour Problems.

(3) Delay in implementation of projects

(4) Competition from large units.

(5) Wrong Choice of location / product

(6) Delayed payment by large firm/Govt. undertakings

(7) Stringency in working capital finance

According to a Sample Study conducted by the Development Commissioner of Small Scale Industry in 1285 identified that the major causes of Sickness are.

(1) Shortage of working Capital - 30%

(2) Scarcity of raw materials - 20%

(3) Lack of demand - 30%

(4) Management deficiency -10%

(5) Delayed payments made by the large enterprises power cuts and diversification of funds from production to unproductive uses are also other Contributing factors.

The following table given the magnitude of sickness in the SSIs financed by banks during the lasts eleven years is given below.

Table 4.4

Sickness in Small Scale Sector

As the end Of march	Total sick units		Potentially viable	
	Number	Amount O/s (Rs. crore)	Number	Amount O/s (Rs. crore)
1991-92	218828	2426.94	16451	590.50
1992-93	221422	2792.00	16140	693.12
1993-94	245575	3100.00	19210	728.90
1994-95	238176	3442.97	21649	798.79
1995-96	256452	3690.37	16580	685.93
1996-97	268815	3547.16	15539	597.93
1997-98	262376	3721.94	16424	635.82
1998-99	235032	3909.20	16220	479.31
1999-2000	221536	3856.64	18686	455.96
2000-01	306221	4313.48	18692	376.96
2001-02	304235	4608.43	14373	369.45

Source: -Reserve Bank of India Note; - o/s Outstanding

Measures to Prevent Sickness: -

Measures to prevent Sickness in Small units are much more important than efforts at rehabilitation because prevention is better and much less expensive than reviving sick enterprise. Therefore the following measures are suggested to prevent sickness: -

(1) The Government should give top priority in allocation of scarce raw materials marketing assistance, which Show better performance.

(2) Concessional interest rates are to be Charged to sick units to enable then to secure Soft and easy credit,

(3) The RBI should issue guidelines for the operation of Small units.

(4) The Government should take strong action against those who make late payment and non - payment of delivery of goods by Small Scale industries,.

(5) A programme should be tramed and adopted for monitoring and nursing the sick units.

(6) The Banks and financial institutions should take effective steps to diagnose sickness in industrial units at the initial stage

(7) Steps should be taken for preventing Sickness through entrepreneurial training Counseling and guidance.

8) Rehabilitation of sick units department should Concentrate on diagnosing sick units Containing sickness at the initial stage and rehabilitating potentially viable sick units by rendering every possible economic administrative technological and infrastructure help,

(9) The government with the help of RBI Should lay down the criteria for dealing with the sick industrial units.

(10) The entrepreneurs should also come forward in the process of revival of sick units by contributing interest free funds paying of institutional funds with interest due.

(11) To meet out the problem of industrial sickness the sick industrial units may be merged or amalgamated with the other viable units may be merged or amalgamated with he other viable units.

Among the agencies, which are engaged in the process of rehabilitation and nursing package banks, have to play the most important and effective role. Banks should first streamline their lending Criteria with the active Co-ordination of other agencies involved in the process. Only those units would be covered under nursing programme or revival package, which are potentially viable, and the units which are purely non-viable Should be allowed to die lest they Should make their lending agencies sick and non-viable,

Measures for revival of sick Small Scale units: -

Reserve Bank of India has created a special cell to function as a Clearing house for information and to act as co-ordinating agency between the government Bank financial institutions and other agencies, It (RBI) issues guidelines and instructions to the banks for revival of sick units and to Consider the grant need based Credit facilities on Concessional terms from time to time, In 1984, IDBI's Refinance Scheme for rehabilitation of Small and medium industry was introduced to provide refinance facility separately for small and medium industry the quantum of assistance in Case of rehabilitation of SSI units Covered by bank finance corporation provides subsidy to the extent of 80% or Rs. 7500/- whichever is lower in respect of fee conducting studies relating to sick units, to be eligible for subsidy the sick units Should be referred to TCo for the purpose of diagnostic Study or implementation of a rehabilitation programme.

IDBI has established Industrial Reconstruction Bank of India (IRBI) in 1985 to function as a principal Credit and reconstruction agency for industrial revival and to Co-ordinate similar work of other institutions. The Scheme includes rehabilitation of sick Small Scale units at the Subsidized rate of interest margin money for working Capital need based start up expenses to Cover- re-starting of Closed units and meeting Cash losses to the extent projected in the Scheme of revival.

The Central Government has evolved margin Many Scheme for revival of sick Small Scale units to supplement the efforts of State government to reduce the incidence of sickness in Small Scale Sector.

Rehabilitation of sick units: -

Sickness in SSI Sector Non availability of Credit is one of the major factors responsible for renderings SSI units sick Govt. has taken various measures from time to the detect sickness at the incipient stage and rehabilitation of sick units in Small Scale Sector. The Nayak Committee Set up by RBI had gone into Sickness of SSIs in detail and recommended various of interest for rehabilitation prompt viability studies Setting up of Celly at important regional Centers and head office to deal with sick industrial units etc. A number of initiatives have been proposed in the union budget 1998-99 to over come the problem of Credit and to keep a Check on the incidence of sickness such as enhanced working Capital to Rs. 5 Crores enhanced powers to bank managers de-linking SIDBI from IDBI Strengthening the mechanism of discounting bills and the amendment to the Interest on Delayed payments Act, The one man Committee Set up by RBI recommended the following measures for quick rehabilitation of sick SSI units.

(1) Change of the definition sick SSI units

(2) Convention of State level Inter Institutional Committee (SLIIC) into Statutory Bodies under a special Statute and giving Statutory and administrative powers to enforce their decisions.

(3) For the purpose of rehabilitation potentially viable sick units should be dealt with by separate specialist branches of SLIIC,

(4) To encourage banks to take up rehabilitation of Potentially viable sick SSIS some relaxation norms should be provided.

For avoiding the financial Crisis Govt. has formulated Several Schemes for extending Credit to SSS Through Commercial Banks Co-operative Banks and Regional Banks, Govt has also established a Separate bank Called SIDBI to Solve the problem of sickness unless proper training programmes are undertaken for Small Scale entrepreneurs up a number of Schemes and programmes as explained. –

Magnitude of Sickness: -

The data on Sickness is Collected by Reserve Bank of India (RBI) through banking Channels As per RBI data at the end of March 1996 2,62,376 units identified by banks were sick of the 2,62,376 sick SSI units banks had taken decisions about viability or otherwise in the Case of 2,56592, units by the end of March 1996 out of these 16,424, units were found to be viable and their outstanding bank Credit amounted to Rs. 63582 Crores. Banks had put 11,026 units with out Standing of Rs. 421,92 Crore under nursing programme were 2,40068 non - viable units with outstanding bank.

Credit of Rs. 294,65 Crore which accounted for 91,5 percent and 79.1 percent of the total sick SSI unit and their out Standing bank Credit respectively Bank had yet to decided about viability of the remaining 5784 units with outstanding of Rs. 142,47 Crore, State wise and Industry wise Classification of sick SSI units is given in respectively.

Causes of Sickness: -

A number of Causes both internal and external often operating in Combination have been responsible for industrial sickness in the Small Sector Some of these Causes are faulty planning management deficiencies in efficient financial control. Diversion of resources inadequate attention to R & D, obsolete technology and machinery, poor industrial relations, power cuts in adequacy of working Capital delay in sanction of working Capital and time gap between sanction of term loan are Causes of Sickness affecting industrial units Small or big may be more or Less the Some but the problems of the sick Small Scale units tend to be Complicated because of Certain inherent weaknesses in their financial and organization Structure which render then Susceptible to the vicissitudes of trade and economic Climate Heavy reliance on borrowing makes a unit vulnerable to environmental pressures and affects the operation of the unit by increasing the interest burden and reducing its borrowing Capacity It is left with no Cushion to with Stands un foreseen Stresses , Sickness in such units only tends to further in crease the involvement of lending in situations. Small Scale units generally Start with very weak equity base due to the limitation on their own resources and non - corporate form of organization Some of then are also heavily dependent upon large Scale units and government departments for marketing of their products which are not promptly paid for by then organizationally also the Small Scale units are on a used footing.

Measures taken for detection of sickness and rehabilitation of Sick SSI unit: -

A number of measures have been taken by the government from time to time for detecting sickness at the initial Stage and towards rehabilitation of sick units in the Small Scale Sector.

(1) Margin Money Scheme for revival of sick Small Scale units: -

With a view to supplementing the efforts of the State government in reducing the incidence units and ensuring better utilization of installed Capacity the Central Government has evolved a Margin Money Scheme for revival of sick Small Scale units.

(2) Role of Reserve Bank Of India: -

Reckoning the relative weaknesses in SSI Sector to with stand the difficulties as also the distinction between the Small Scale units and ting Sector units and units in the decentralized Sector Comprising artisans village and industrial units RBI issued a set of guidelines in February 1987 which laid down inter alia the definition of incipient Sickness Sick SSI units, viability of sick units, relies and Concession for rehabilitation of potentially viable units.

(3) State Level Inter - Institutional Committee: -

The Reserve Bank of India Government of India, State Level Inter - Institutional Committee in all States under the Chairmanship of Secretary Industries Department of the Concerned State government and the local officer - in Charge of the RBI's Rural planning and Credit Department as Convener to provide a useful forum for exchange of information and discussions on problems faced by Small and medium Scale Industrial units. The Committee includes representatives of the Small Industries Service Institute, Small Industries Development Corporation, State financial Corporation, India and banks with major involvement in the Concerned State.

(4) Nayak Committee: -

Nayak Committee Setup at the instance of Government of India to examine the adequacy of institutional Credit to Small Scale industries Sector and related aspects. Had gone into the issue of sickness in detail and recommended several measures to deal with sickness RBI had taken action on the Nayak Committee recommendation. Based on the Nayak Committee recommendations on rehabilitation of sick SSI units.

(A) Definition of sick SSI unit: -

An SSI unit may be classified as sick when,

(1) Any of its borrower accounts has become a doubtful advance i, e principal or interest in respect of any of its borrower accounts has remained overdue to a period exceeding 2-1 / 2 years.

(2) There is erosion in the net worth due to the accumulated Cash losses to the extent of 50 percent or more of its peak net worth during the preceding two accounting years.

(B) Interest on working Capital Term Loan: -

In respect of working Capital Term Loan the rate of interest applicable may be 1.5 to 3,0 percentage points below the prevailing fixed rate/ minimum leading rate wherever applicable but not more than the lowest lending rate for ting / decentralized Sector units and not more than S percentage points below the minimum landing rate in the Case T advances of over Rs. 2 lakh for the other SSI units.

In order to tackle the problem of sickness among the SSI units expeditiously RBI has advised banks that they Should set up Cells at important regional Centres also besides the Cell at head office to deal with sick industrial units and provide export staff including technical personnel to loan into the technical aspects.

(5) BIFR Type Authority: -

The Nayak Committee has Considered the demand for a BIFR type authority today with the Cases of sick units It was left by the Committee that the tribunals would nit be able to deal with the cases of large number of sick units within the SSI Sector as a whole and hand units above prescribed cut off paint only should come under the purview of the tribunals, the Committee recommended expeditions setting up of tribunals, which may deal to Start with sick units with fund based working Capital limits and term loan aggregating Rs. 25 lakhs or more the recommendation of the committee was not accepted by Ministry of Finance for the reason of practical difficulties in implementing it , The existing machinery viz SLICS and RBC guidelines were Considered adequate by them.

Sickness: -

The incidence of Sickness in the Small Scale, Sector has been a Subject of great Concern and debates the magnitude and nature of sickness and its growth in the last three years as per the RBI data in reflected in the table given below.

Table-4-5

Sickness in SSI units

At the end of	**Total Sick units**		**Potentially Viable**	
	No. of Units	**Rs. Crores**	**No of Units**	**RS. Crores**
March 1997	238178	344297	21649	79879
March 1998	258452	368037	16580	68593
March 1999	268815	354716	15539	59793
March 2000	262376	372194	16424	63582
March 2001	235032	360520	16220	47931
March 2002	220594	384349	18681	45560

Source: -These units include village industries as well as SSI

4.6 STRUCTURE OF SSIs IN GUJARAT STATE: -

Introduction: -

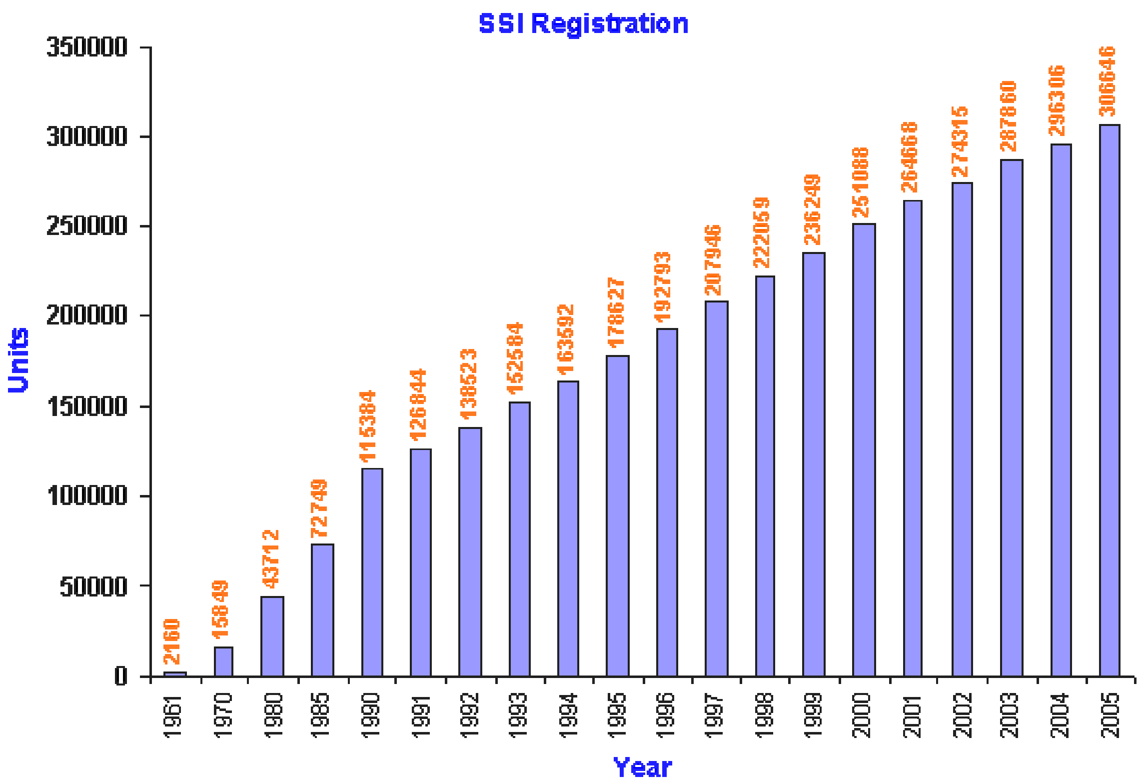
Gujarat has been the front-runner in the overall economic development of the country all these years, as is evident from the fact that with mere 6% of geographical area and 5% of the population of India, the state contributes to 21% of the country's exports and 6.42% of the national GDP at constant prices. If the decadal growth of performance of some of the Indian states vis-à-vis other Asian economies with that of Gujarat are compared, one gets quite an encouraging scenario. The industrial growth of Gujarat with a figure of 8.52% could be way ahead of many Indian states and other Asian Tigers viz. Singapore, Malaysia and Korea. Gujarat - A leading state in manufacturing sector over a period of time, the state has established itself as second to none, especially in case of manufacturing sector. The State has successfully carved out a formidable position for itself on the national map of manufacturing sector, as is reflected from the status of dominance in many areas pertaining to manufacturing. The illustrative list of some of the selected products, wherein Gujarat contributes significantly is as under: -

S.No.	Sector/Industry	Share of Gujarat in National Production
1.	Engineering	
	• Power Driven Pumps and Monoblok Pumps	74%
	• Air & Gas Compressors	70%
	• Steel Casting	57%
	• Forgings	12%
	• CI Casting	10%
2.	Chemical Products	
	• Soda Ash	94%
	• Liquid Chlorine	70%
	• Paints & Enamels	20%
	• Caustic Soda	17%
	• Sulphuric Acid	16%
3.	Petrochemical Products	
	• Caprolactum	55%
4.	Plastic Products	
	• Laminated/Decorative sheets	14%
5.	Drugs and Pharmaceuticals	45%
6.	Dyes	
	• Azo Dyes	20%
	• Reactive Dyes	17%
7.	Fertilizers	
	• Phosphatic Fertilizers	66%
	• Nitrogenous Fertilizers	29%
8.	Mineral Based Industries	
	• Cement	10%
9.	Food Products	
	• Baby food and Instant Milk Powder	43%

Small Scale Industries in Gujarat: -

Industry is regulated in the country under the Industries (Development & Regulation) Act 1952. As per the provisions of this Act, SSIs have been exempted from the licensing process and its development has been assigned to the states under the guidance of the Ministry of Small Scale Industry, Government of India. Any industrial unit having investment up to Rs.1 crore in plant and machinery is classified as small scale. However, in respect of certain products, the investment limit has been enhanced to Rs.5 crore. This is also known as the decentralized sector. Registration to SSI is given by the District Industries Center (DIC).

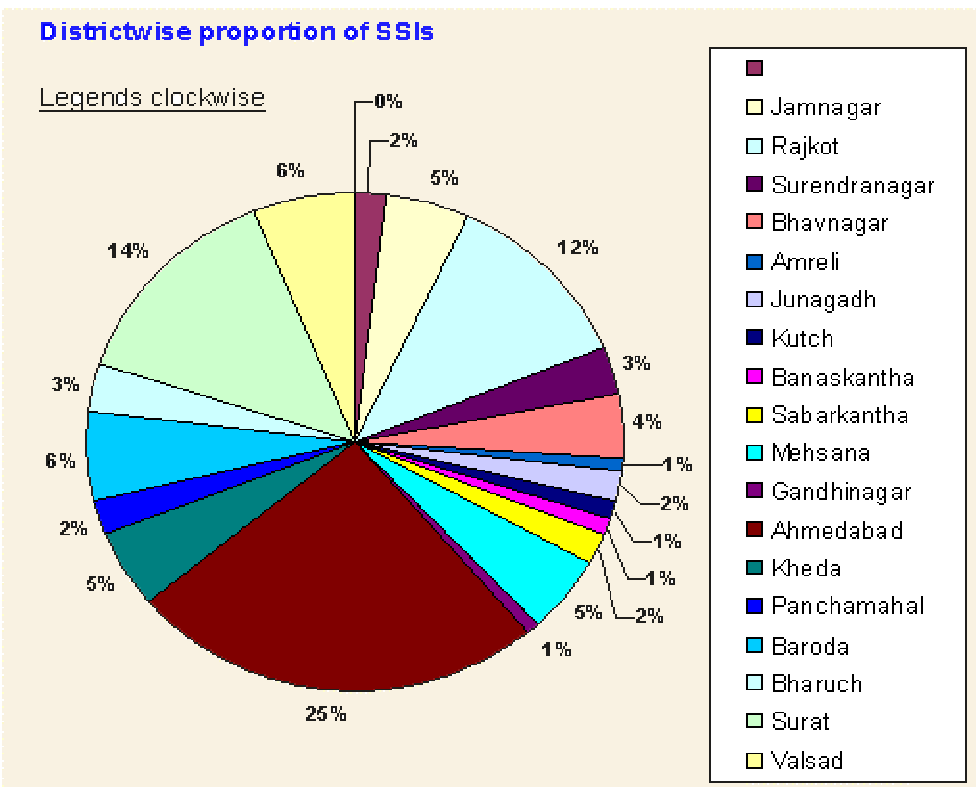
Graph: -4.8- Registration to SSI is given by the District Industries Center (DIC).



Gujarat has witnessed impressive registration of SSIs. There were only 2169 SSIs in 1961 at the time of the formation of the state. The number of SSIs increased to 15849 in 1970, 43712 in 1980 and 115384 in 1990. The decade of 90s witnessed accelerated growth of small-scale sector in the state. As a result, the number of units has increased to 251088 in 2000. The number of SSIs has further increased to 296306 units in 2004 and it increased 309978 upto March 2006.

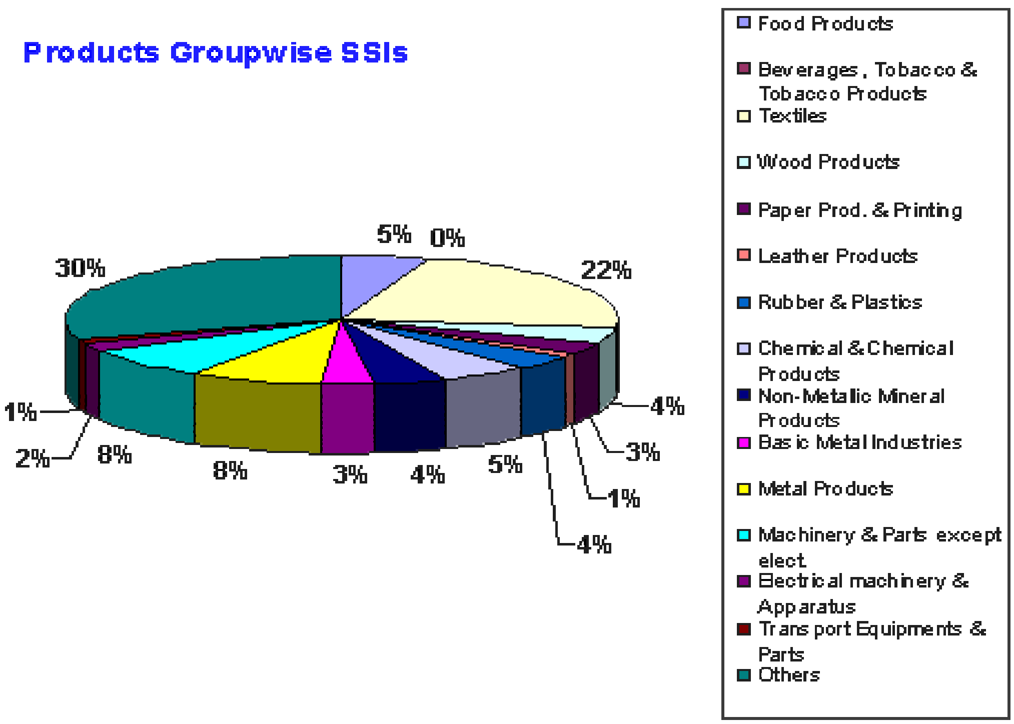
Small Scale Industries have played an important role in industrial dispersal. District Industries Centres in all the districts of the state, along with institutions such as Gujarat Industrial Development Corporation (GIDC) and Gujarat State Financial Corporation (GSFC) have provided boost to the development of SSIs. Ahmedabad district leads with the highest number of SSI units at 64916, constituting 22% of the total SSIs in the state. Surat follows with 46316 units (15%) and Rajkot 32030 units (11%). These three districts together account for 47% of the total number of SSI units in the State. The other districts having more than 10000 SSI units are Valsad (18967), Vadodara (17990). Mahesana (16637), Kheda (15385), Bharuch (14743), Jamnagar (13035) and Bhavnagar (11671) upto December 2005. Other districts have also witnessed the development of small-scale industry. This can be seen in the following chart.

Graph: -4.9- Other districts development of small-scale industry



The SSI sector has developed in different industries. The trend is similar to the overall industrial scenario in the state. Textiles and textile machinery have played a major role. Chemicals, followed by plastic processing, are also placed high. Engineering, paper and mineral based industries have also developed in the SSI sector. The important industrial sectors within SSI are as under:

Graph: - 4.10- Products Group Wise SSIs



List of Industries Exempted from obtaining NOC of Gujarat Pollution Control Board

Sr. No.	Type of Industries
1	Motor rewinding
2	Workshop for vehicle repairs
3	Engineering workshop, machine shop, fabrication shop, press shop
4	Pump and motor assembling units
5	Cycle assembling units
6	Units fabricating tractor trailer, agricultural equipment etc.
7	Units fabricating stove, cooker, kitchen equipment without electroplating
8	Units fabricating nails, pegs, nuts, bolts etc.
9	Units manufacturing utensils of aluminum, steel, copper and brass

10	Casting units using pit furnace
11	Units fabricating iron doors and shutters
12	Units fabricating steel furniture without electroplating
13	Units manufacturing weighting machines
14	Units fabricating drawing, surveying and scientific equipment
15	Units making musical instruments
16	Units making sports gear
17	Units making toys
18	Units making stationery items like paper pins, "U" pins, pencils etc.
19	Units binding books, making file covers, card board boxes, envelopes, paper bags from paper or board
20	Units making paper napkins, dishes, labels, tallow, paper rolls
21	Units making wooden doors and windows
22	Units making wooden furniture
23	Units making wooden boxes
24	Units assembling conditioners, air coolers, water coolers, heater, electric irons, etc.
25	Units manufacturing electric fans, tube lights, bulbs, lamps, fuses, switches, etc.
26	Units casting cement concrete spun pipes, mosaic tiles, cement concrete poles
27	Units casting cement concrete grills
28	Units making umbrellas and rain coats
29	Units making garments by stitching from ready cloth
30	Units making hosiery items
31	Weaving units with handlooms and power looms
32	Yarn twisting, crimping and texturising units
33	Fiber glass moulding units
35	Units producing plastics items through fabrication, extraction, injection moulding methods
36	Units manufacturing tubes, pipes, boxes, tanks, etc. from plastics HDPE, LDPE, PVC
37	Units making leather items like bags, purses, wallets etc. from ready leather
38	Units making tooth powders, tooth pastes, shampoos, nail polishes, hair oils through mixing only
39	Units making candles
40	Units making agarbattis
41	Units making detergent powders, soaps etc. through mixing only

42	Cold storages
43	Domestic flour mills
44	Units grinding corianders, Cummins, turmerics, salts, spices
45	Tobacco drying sheds
46	Saw mills
47	Printing presses
48	Pulse mills
49	Oil expellers
50	Ice factories
51	Poultry farms
52	Units manufacturing glass frames for spectacles
53	Diamond industries
54	Induction furnaces
55	Units manufacturing tablets and capsules by mixing only
56	Units manufacturing biscuits unto 100 kg per day only
57	Units manufacturing pickles/pappads upto 500 kg per day only
58	Assembling units for TV, VCR,VCP, radio sets, tape recorders etc.
59	Units manufacturing rubber parts, rubber crocks, surgical gloves
60	Units retreading tyres
61	Units involved in cutting, polishing and finishing of stones, marbles and granites
62	Units involved in finishing of printed cloth by felt finish or rolls process, sentering
63	Cotton ginning and pressing units
64	Steel rerolling mills where M S bars, angles, CTD round bars, rectangle bars, section bars etc. are prepared without pickling process
65	Tyre and rubber industries
66	Oxygen gas units
67	Jaggery (Gur) (from sugarcane) producing units
68	Tobacco gutka manufacturing units
69	Ceramic cup saucers making units
70	Glazed tiles producing units (provided water is recycled)
71	Units manufacturing ceramic sanitary ware
72	Units producing white coal/biocoal from agriculture waste
73	Units producing bioferlizers only from agriculture waste mix
74	Units producing cattle fodder by mixing
75	Units producing acetylene gas
76	Salt pans by solar evaporation

77	Ceramic units using LDO/HSD/RFO fuels at 1000 liters/day(but not using coal/ lignite/ hard coke /husk) with a condition to install a chimney of minimum 11 meters height
78	Computer software units
79	Perfumes (Attar) manufacturing units by mixing process
80	Units producing Limestone masonry
81	Units manufacturing domestic flour mill
82	Units manufacturing Mamara
83	Computer & Computer stationery
84	Gems & Jewelry units
85	Units manufacturing plastic bags
86	Manually preparing silver & golden ornaments
87	Units making printing blocks
88	Units making furniture from bamboo
89	Units assembling domestic electrical appliances
90	Units fabricating aluminum doors, windows & furniture
91	Tailor machine repair or its manufacturing units
92	Ball pen refill
93	Button & hooks manufacturing units
94	Bicycle chain & locks manufacturing units
95	Embroidery
96	Photo frame, Mirror frame
97	Flower pot, Flower vase
98	Units fabricating fork-knife, scissors
99	Unit installing 50 KVA DG set

Cluster: -

The SSIs in Gujarat have had impressive development in clusters. There are, in all, over 83 industrial clusters covering different types of industries and developed at different geographical locations. This kind of development has helped in creating common facilities, developing market centers and brand name, development of skill and, thereby, improving cost competitiveness. Some of the important clusters in Gujarat are Oil Engine in Rajkot, Brass Parts in Jamnagar, Ceramic in Morbi, Thangadh and Vankaner, Ship breaking in Alang, Re-rolling mills in Bhavnagar, Dyes in Ahmedabad, Baroda and Vapi, Pharmaceuticals in

Ahmedabad and Baroda, Plastic processing in Ahmedabad and Baroda. The details of clusters in Gujarat are as under:

Type of Cluster	Location
Common Salt	Anjar, Gandhidham, Dasada
Tobacco Processing	Anand
Cotton Ginning	Manavadar, Amreli
Textiles	Ahmedabad, Dholka, Surat
Textiles-Printing	Jetpur
Textiles-Khadi	Wadhvan
Textiles-Finishing	Bhuj
Textiles-Synthetic	Surat, Mangrol
Sari-Printing	Surat
Readymade Garments	Ahmedabad
Wood based	Nadiad
Fabrication	Ahmedabad, Baroda
Utensils	Ahmedabad
Oil Engines	Rajkot
Textile Stores	Ahmedabad, Surat, Wadhvan
Power driven Pumps	Ahmedabad, Mehsana
Machine Tools	Rajkot
Diamond Processing	Ahmedabad, Amreli, Surat
Books Publishing	Ahmedabad
Data Processing	Ahmedabad, Surat

The State Government has taken initiatives to provide support for further strengthening of these clusters through interventions such as technology up-gradation, quality improvement, setting up of common facility centers, skill development facilities, etc. with assistance from R&D institutions, as well as industry associations.

Table - 4.6

Product & Group Wise SSI Units Registered

Sr. No.	Industry Group	SSI units registered during the year									
		1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
1	Food Products	676	977	889	538	850	878	683	760	733	499
2	Beverages, Tobacco & Tobacco Products	103	84	97	55	70	64	59	45	48	51
3	Cotton Textiles	546	684	790	87	150	157	171	689	306	124
4	Wool, Silk & Synthetic Fibre Textiles	1410	876	575	220	178	192	170	607	2056	545
5	Hosiery & Garments	1855	2244	2350	1694	2976	3296	3558	2603	1415	1998
6	Wood Products	502	486	456	571	580	510	487	337	321	271
7	Paper Products & Printing	328	328	365	307	302	207	164	179	166	149
8	Leather Products	99	188	90	150	126	125	118	71	47	117
9	Rubber & Plastic products	486	529	522	560	469	425	346	288	448	203
10	Chemical & Chemical Products	627	345	316	296	240	270	209	210	246	172
11	Non-Metallic Mineral Products	597	814	543	359	356	422	345	231	298	152
12	Basic Metal Industries	343	345	449	337	237	177	207	142	137	113
13	Metal Products	664	700	685	821	683	464	489	356	383	289
14	Machinery & Parts except ele.	1165	1094	1111	1315	930	987	669	578	603	446
15	Electrical Machinery & Apparatus	266	229	245	205	153	149	132	146	124	161
16	Transport Equipments & Parts	105	125	113	90	62	55	76	74	76	27
17	Misc. Manufacturing Industries	741	656	726	702	675	461	458	234	248	167
18	Repair Services	1837	2203	2512	4100	3687	3923	3687	2677	1554	2713
19	Other Industries	677	897	1077	1656	1907	1999	2409	3098	2107	2708
	Total	**13027**	**13804**	**13911**	**14063**	**14631**	**14761**	**14437**	**13325**	**11316**	**10905**

Source: Industries Commissioner ate

Table-4.7
District wise & Year wise SSI Registration (Cumulative)

Name of the District	No. of SSI Units registered at the end of the year							
	1998-99	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Ahmedabad	55359	58332	59747	60693	62909	62592	63996	65297
Amreli	3607	3929	4179	4339	4644	4640	4740	4840
Banaskantha	4624	5003	5343	5733	6077	6168	6468	6693
Bharuch& Narmada	10221	11174	11920	12483	13579	13533	14186	14922
Bhavnagar	10018	10613	11106	11130	11422	11394	11586	11779
Gandhinagar	2597	2958	3275	3648	4009	4101	4451	4763
Jamnagar	10014	10413	10920	11518	12475	12324	12789	13161
Junagadh & Porbandar	5954	6545	6843	7294	7834	7924	8225	8603
Kheda & Anand	11341	12064	12715	13269	14168	14262	14687	15323
Kachchh	4468	4780	5100	5279	5413	5545	5795	6045
Mehsana & Patan	12114	13030	13814	14587	15257	15524	15951	16556
Panchmahal& Dahod	5379	5825	6233	6482	6948	6994	7394	7769
Rajkot	26233	27874	29409	29639	30564	30926	31697	32457
Sabarkantha	6035	6497	6829	7214	7692	7821	8195	
Surat	34582	36069	39309	41053	43015	43436	45268	47004
Surendranagar	6327	6792	7134	7585	8000	7989	8314	8522
Vadodara	13349	14209	15011	15653	16309	16671	17457	18208
Valsad, Dang & Navsari	14027	14981	15781	16716	17545	17743	18543	19271
Total	**236249**	**251088**	**264668**	**274315**	**287860**	**289587**	**299742**	**301213**

Source: Industries Commissioner ate

Table-4.8

Group wise Registration of SSI Units (As on 31st March 2004)

Sr. No.	Industry Group	Number
1	Food Products	15591
2	Beverages, Tobacco & Tobacco Products	1399
3	Textiles	63832
4	Wood Products	13184
5	Paper Products & Printing	7954
6	Leather Products	2365
7	Rubber & Plastic Products	11244
8	Chemical & Chemical Product	15212
9	Non- Metallic Mineral Products	11000
10	Basic Metal Industries	8211
11	Metal Products	22697
12	Machinery & Parts except Electronics	23222
13	Electrical Machinery & Apparatus	6139
14	Transport Equipments & Parts	2837
15	Others	84700
	Total	**289587**

Source: Industries Commissioner ate

Table-4.9 -Registration of SSI Units - Recent Trend

Sr. No.	Particulars	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
1	Total No. of Units Registered	14631	14761	14437	13325	11316	10905	10931	10847
	%	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100)	(100)
2	Total Investment (in Rs. Crs.)	496.8	793.0	732.4	675.8	650.5	454.9	491.1	521.67
3	Employment	43934	48032	44274	43741	46282	31062	29924	33977
4	Units Registered in Metropolitan Area	796	456	311	822	220	141	7	-
	%	(5.4)	(3.0)	(2.1)	(6.1)	(1.9)	(1.2)		
5	Units Registered in Urban Area	8380	8150	8496	8074	7491	6552	6678	-
	%	(57.2)	(55.2)	(58.8)	(60.6)	(66.2)	(60.0)	(61.0)	-
6	Units Registered in Rural Area	5455	6155	5630	4429	3605	4211	4244	-
	%	(37.2)	(41.7)	(39.7)	(33.2)	(31.9)	(38.6)	(38.8)	-
7	Units regd. in Industrially Backward area	5720	5660	5532	4292	3248	2623	97.98	-
	%	(39.1)	(38.3)	(38.3)	(32.2)	(28.7)	(24.0)	(89.6)	-
8	SIDO Units	12321	11590	11254	10184	7856	9310	691	-
	%	(84.2)	(78.5)	(77.9)	(76.4)	(69.4)	(85.3)	(6.3)	-
9	No. of Tiny Units Registered	13725	13595	13351	12243	11120	10701	327	-
	%	(93.6)	(92.1)	(92.5)	(91.9)	(98.2)	(98.1)	(3.0)	-
10	No. of SSSBES Units	4837	7317	6932	7168	4948	7313	310	-
	%	(47.8)	(49.6)	(48.0)	(53.8)	(43.7)	(67.0)	(2.8)	-
11	Units Promoted by S.C. Entrepreneurs	223	347	291	363	259	530	1765	-
	%	(2.2)	(2.3)	(2.0)	(2.7)	(2.2)	(4.9)	(16.1)	-
12	Units Promoted by S.T. Entrepreneurs	148	233	187	348	278	291	2788	-
	%	(1.4)	(1.6)	(1.3)	(2.6)	(2.4)	(2.7)	(25.5)	-
13	Units Promoted by S.E.B.C. Entrepreneurs	98	385	481	658	526	558	270	-
	%	(1.0)	(2.6)	(3.3)	(4.9)	(4.6)	(5.1)	(2.4)	-
14	Units Promoted by Women Entrepreneurs	688	1128	1234	1172	929	928	6342	-
	%	(6.8)	(7.6)	(8.5)	(8.8)	(8.2)	(8.5)	(58.0)	-

Note: Figures in the brackets indicate percentage to Total

Source: Industries Commissionerate

Table-4.10
Cumulative Progress of Permanent SSI Registration

Sr. No.	Year	Number
1	1961	2169
2	1970	15849
3	1980	43712
4	1985	72749
5	1990	115384
6	1991	126844
7	1992	138523
8	1993	152584
9	1994	163592
10	1995	178627
11	1996	192793
12	1997	207946
13	1998	222059
14	1999	236249
15	2000	251088
16	2001	264668
17	2002	274315
18	2003	287860

Source: Industries Commissionerate

Census of Industries - GOI - SSI Census (Third) as on 31st March 2003: -

Central Government has carried out Census of Small Scale Industries of all India. The quick results of the Census are asunder:-

It shows that among all states and national territories in Gujarat having only 1.9% Closed Small Scale Units, whereas 11.3%Working Small Scale Units. Its ranking shows 3rd among all states and national territories.

Table-4.11

Third All India Census of Small Scale Industries 2001 - 2002

Sr. No.	Name of State/UT	Number of Permanently Registered SSI Units	Working Units		Closed Units	
			Number	Percentage	Number	Percentage
1	Uttar Pradesh	289569	173269	12.1	116300	13.4
2	Tamil Nadu	309162	168435	11.7	140727	16.2
3	**Gujarat**	**178261**	**161838**	**11.3**	**16423**	**1.9**
4	Kerala	224524	151504	10.5	73020	8.4
5	Karnataka	165341	131247	9.1	34094	3.9
6	Madhya Pradesh	171376	107391	7.5	63985	7.4
7	Maharashtra	137819	76378	5.3	61441	7.1
8	Punjab	154686	71091	4.9	83595	9.6
9	Andhra Pradesh	102761	66269	4.6	36492	4.2
10	Bihar	74491	53631	3.7	20860	2.4
11	Rajasthan	84256	46378	3.2	37878	4.4
12	Haryana	67413	40215	2.8	27198	3.1
13	West Bengal	69269	40054	2.8	29215	3.4

14	Chattisgarh	62979	36895	2.6	26084	3.0
15	Jharkhand	33021	19399	1.3	13622	1.6
16	Jammu & Kashmir	39680	16699	1.2	22981	2.6
17	Uttaranchal	27415	15907	1.1	11508	1.3
18	Assam	24947	14807	1.0	10140	1.2
19	Himachal Pradesh	17432	11092	0.8	6340	0.7
20	Delhi	15740	9445	0.7	6295	0.7
21	Orissa	22324	6752	0.5	15572	1.8
22	Manipur	5778	4746	0.3	1032	0.1
23	Mizoram	4217	2890	0.2	1327	0.2
24	Goa	4842	2039	0.1	2803	0.3
25	Meghalaya	3768	2023	0.1	1745	0.2
26	Pondicherry	4362	1827	0.1	2535	0.3
27	Chandigarh	2704	1366	0.1	1338	0.2
28	Tripura	2039	995	0.1	1044	0.1
29	Daman & Diu	1505	937	0.1	568	0.1
30	A & N Islands	1210	762	0.1	448	0.1
31	Nagaland	698	503	0.0	195	0.0
32	Arunachal Pradesh	579	361	0.0	218	0.0
33	D & N Haveli	1135	333	0.0	802	0.1
34	Sikkim	338	158	0.0	180	0.0
35	Lakshadweep	84	68	0.0	16	0.0
	Total	**2305725**	**1437704**	**100.0**	**868021**	**100.0**

Source: Industries Commissionerate

4.7 POLICIES IN RETROSPECT IN GUJARAT STATE: -

A strong foundation for a brighter tomorrow .The erstwhile policy initiatives shot the state into prominence on the industrial map of the country with a well-diversified base from a lone base of textile and its auxiliaries when formed in 1960. The earlier policies including the policies of the first decade of post-liberalization period were primarily incentive centric to attract investments in the developing areas of the state. These policies have also served the purposes but this instrument since 2000 was no longer available, the state came out with a different policy initiatives in 2000, primarily focusing on strengthening the manufacturing sector with emphasis on strengthening existing and creating new clusters, promotion of IT and knowledge based industries, enhancing exports, development of small and service sector, technology upgradation programme, R&D, setting up of Industrial Parks, upgradation of infrastructure, support for environmental protection measures, etc. Since then however, certain new developments especially in the form of markets increasingly getting integrated with global economy and the state emerging with substantial reserves of gas which would transform the economy of the state to flourish on the basis of cheaper and cleaner source of energy. These developments necessitated fine-tuning of the policy initiatives.

-: **INDUSTRIAL POLICY OF GUJRAT – 2000-01: -**

(A) INTRODUCTION

(B) OBJECTIVES

(C) APPROACH

(D) STRATEGIES

- Interest Subsidy To Small Scale Industry
- Cluster Approach
- Assistance For Quality Certification
- Market Promotion

- Consultancy Assistance
- Step-Up Projects - Self Employed
- Interest Subsidy To Educated Unemployed In Service Sector
- Infrastructure Assistance To Medium And Large
- Industries
- Sales Tax Incentives To Existing Industrial Units For
- Diversification/Modernisation
- Technology Upgradation
- Assisance For Patent Registration
- Promotion Of Specific Industrial Sectors
- Rehabilitation Of Sick Industrial Units
- Enterpreneurship Development
- Infrastructure Development
- Priority Allocation Of Land
- Upgradation Of Gidc Estates
- Assistance For Setting Up Industrial Parks
- Assistance For Desalination Plants
- Training Institutes In Hi-Tech Areas
- Citical Infrastructure Fund
- Environment Protction
- Foreign Direct Investment (Fdi)
- Exportpromotion
- Trade And Market Development
- Industrial Finance
- Industrial Relations
- Responsive Administration
- Industries Promotion

(D) IMPLEMENTATION

Industrial Policy of Gujarat 2003: -

The Objectives: -

The primary objective of the Industrial Policy 2003 is to achieve global competitiveness for Industries in Gujarat However, addressing the gamut of all issues relating to Industrial Development to be encompassed in a single sentence would not be complete and thus the objective will have to be viewed in a broader perspective in terms of ancillary objectives. With this in mind the ancillary objectives are stated as under:

To create a conducive environment for the investors who would be inspired to think of Gujarat first for his investment plans thereby enabling Gujarat to emerge as the most competitive destination for investment in the 21st century.

- To equip new entrepreneurs as well as existing enterprises with the latest information in relevant field(s).
- To strengthen the facilitation mechanism at the Government level - both at the state and district levels.
- To sensitize the administration to the needs of the industries.
- To implement the concept of e-governance in letter and spirit.
- To further strengthen the current mechanism for redresses of legitimate Grievances.
- To develop the best of infrastructure facilities by infusing private sector investment.
- To empower the industrial estates to undertake developmental responsibilities.
- To enhance the quality of life in the state, as viewed by investors.
- To establish strategic linkages between educational institutions including universities and the industries to meet with future requirements of manpower, by introducing appropriate courses.
- To take suitable measures for development of human resources through capacity building and skill upgradation for enhancement of productivity.

- To evolve a conducive business environment by introducing labour reforms
- To bring about simplification of rules, regulations and procedural aspects.
- To arrest environmental degradation
- With Sardar Sarovar Project on Narmada River nearing completion, Gujarat will witness a boom in agriculture sector and the state plans to capitalize on the increased agro production to process this wealth into profitable venture by developing necessary infrastructure.
- To strengthen the mature manufacturing segments in the state.
- To promote industries which are labour-intensive in nature to create large-scale employment opportunities in the state
- To provide assistance to small-scale industries for healthy growth.
- To strengthen existing industrial clusters and promote new clusters.
- To assist small and medium industries in getting bank finance.
- To inculcate a sense of ‘Quality Consciousness’ by promoting R & D efforts in the industries.
- To assist industries in adopting technology upgradation programmers.
- To tailor policies to combat any adverse effect on account of the impact of WTO regime on various sectors of industries in the State.
- To equip the industries in Gujarat to meet with the challenges of WTO regime as also exploit the opportunities to their advantages.
- To assist industries in arresting industrial sickness.
- To project and to establish Gujarat as second to none in terms of ‘quality’ and ‘brand image’ of products, on international platform
- To ensure adequate supply of natural gas available from Gujarat at competitive tariffs to the industrial units in Gujarat.
- To rationalize tax regime.
- To bridge the gap between self-actualization needs of Non-Resident Indians/Gujarat is and the developmental requirements of the state
- To promote port-driven industrialization
- To correct regional imbalances

❖ To address developmental aspect of specific issues like Fisheries

Development, empowerment of tribals by creating employment opportunities in their respective regions and accentuating the developmental pace of Kutch district. Fulfillment of objectives of this policy as outlined above, ultimately should lead to achieving sustainable industrial development to create large-scale employment opportunities all across the state, thereby correcting regional imbalances. The policy should also help industries achieving competitiveness not only within the country, but also in the international market by improving industrial productivity. The policy should also aim at inculcating the sense of quality consciousness as also sensitivity among the industries in the state towards preserving environmental standards.

4.8 THE STRATEGY OF GUJARAT INFORMATION AND FACILITATION: -

STRATEGY: -

In order to achieve the objectives as enunciated above, the Government of Gujarat has decided to introduce the following broad strategy initiatives:

- Creating and sustaining a Global Brand Image for Gujarat and its products
- Good governance
    - Labour reforms to facilitate industrial investment to generate employment and ensuring productivity.
    - Upgradation of Industrial and Urban Infrastructure
    - Power reforms
    - Port led development and setting up of SEZs (e)
- Focusing on strength of Gujarat - Manufacturing
- Concerted efforts towards innovation, technology upgradation and value-addition
- Development of service sector - around strong manufacturing base
- Export competitiveness
- Consultative approach for policy initiatives (Phase I) and sector-specific strategy approach (Phase II).

GUJARAT INFORMATION AND FACILITATION: -

The basic aim is to create an atmosphere, which should inspire any investor unable to resist to think of Gujarat first for his investment plans. Information: The Key to Success for any business enterprise. This is the era of information and awareness. The person who has maximum information on the subject he deals with will ultimately win amongst all his competitors. This dictum is true in the case of establishing and managing any business enterprise. The Government realizes this fact and has thus decided to equip the new entrepreneurs as well as the existing enterprises with the latest information available in the relevant fields. A new entrepreneur would require information right from the stage of selection of a project, market potential, availability of infrastructure at different alternative locations, Government assistance and facilitation, economic and social indicators, regulatory framework governing a particular industry/activity, compliance of laws, pollution norms, procedural aspects, etc. At the state level, INDEX has been functioning to act a single point contact for all the information needs of an entrepreneur since last over 25 years. The services of iNDEXTb have been very widely acknowledged by the industrial community not only in India but also in many parts of the world. in Government now plans to make available all the relevant information at the district level by installing information kiosks at important places. In addition, capacity building of the counseling staff is also envisaged by imparting training. For the purpose, the Government of Gujarat would like to make extensive use of information technology at all the levels.

Facilitation: Giving a momentum to the pace Developmental Process: -

Globally, the role of Government is being redefined from that of a mere regulator/controller to a facilitator. Government of Gujarat recognizes and appreciates the fact that it is more than imperative to create an environment wherein an investor views a Government officer as someone who would be eager to empathize with his concerns. The Government considers this quality of being able to 'empathize' to be at the heart of its facilitation initiatives, which in itself encapsulates an array of important issues. Government believes that the process of facilitation should be a bottom-top approach. District Industries Centers are the face of the Government at the district level and in today's era of marketing, the quality of front-end staff will be as important as the reception of any office, ultimately dictating the quality of services to lead the industrialization drive in the state. It is this hospitable outfit that will attract the investors to the state. The present day investors do not want sops in the form of subsidies, but want comfort in dealing with various authorities. Thus, it has been decided to undertake various capacity building measures. Prominent amongst them include converting District Industries Centers (DICs) into regional information hubs by huge capacity building, using latest technology, establishing fast-track clearance mechanism etc. In a nutshell, the Government would endeavor to create a system wherein an investor would prefer to visit DICs frequently for any help or assistance.

FACILITATION BY GOVERNMENT: -

The primary aim of this initiative is to facilitate an investor for 'quick' solution to his problems, to give him a feeling of 'comfort' and to create an atmosphere that reduces 'uncertainty'. The Government recognizes these three issues as the main concerns of an investor. Reincarnation of District Industries Centers .The District Industries Centers (DICs) will be the nerve centers for implementation of Government's facilitation initiatives. Going with the spirit of the initiative, it has been decided to rename the District Industries Center as District Industries Development Center (DIDC).

As mentioned earlier, Information Technology has eased the process of communication by way of convenient accessibility to an array of information. Thus, in order to facilitate easy dissemination of information, Government of Gujarat would be setting up kiosks at all the DIDCs so that for an entrepreneur, the desired information access would be just a button click away. The kiosk would contain exhaustive information to cater to any kind of needs of a visitor. The kiosks, besides DIDC will be placed at important places like all the offices of Industries Department in the state including that of Boards and Corporations, regional offices of Government in other states, Office of the Resident Commissioner and iNDEXTb office at New Delhi, etc. The DIDCs would also be networked so that there can be useful exchange of information. The DIDC through information kiosks would be fully equipped with all the information relating to economy, commerce and industry for all the districts so as to enable it to serve as the single point contact for all the information needs of any investor. All the operations of DIDCs would be fully computerized. They will have to treat the entrepreneur/visitor not as an applicant, but a valuable client. Extensive human resource capacity building exercises would be undertaken with the help of professional agencies to bring about attitudinal changes in the lower staff. The District Industries Development Centers will also work as escort organizations to assist investors as friends, philosophers and guides by addressing to all issues and concerns pertaining to industrial development of the district covering all the concerned departments. Necessary amendments to various legal provisions will be made to ensure a pivotal status to this organization.

Percolation of facilitation mechanisms from top to bottom is one of the yardsticks for measuring the efficacy of a system in terms of its ability to service the entrepreneurs. The Government would therefore strive to ensure that the present mechanism of Gujarat Industrial Promotion Board that is operational for large projects at the state level is made workable at the district level for small and medium projects. Needless to say that the assistance of GIPB, GEB, GIDC, GIIC, GSFC, Labour Department, Energy Department, Environment Department, Revenue Department and others would be more than important to enable a DIDC to work as a single window clearance agency more in spirit and less in letter. The concept of deemed approval may also be made operational at the lower level institutionalizing the fast-track mechanism at the district level under District Collector through an Inter-Departmental Committee. The Government is thus committed to bring about this quality change in its administration as the success of this experiment will send positive signals to the entrepreneurial community all across the country in establishing their faith in a system at the regional level to become the harbingers of industrial development in the state.

Facilitation at the state level: -

Many medium and large projects have to deal with the officers at the head office levels in different departments and Corporations. The State Industries Administration acknowledges the fact that mere ‘satisfactory experience’ for investors/entrepreneurs while interfacing/interacting with Government officials at the apex level will not suffice and that the element of ‘delight’ vis-à-vis ‘satisfaction’ is of more importance. The State would thus strive to provide a pleasant experience i.e. a memorable experience outthought of, to the investors/entrepreneurs by embarking on the following steps:

At the state level, while iNDEXTb has been functioning as a nodal agency to facilitate investors in implementing their projects expeditiously. The Government will also provide adequate funds to iNDEXTb to carry out all the promotional activities to continue to project the image of Gujarat as the most ideal investment destination in India. In addition, Government will take all steps to ensure that iNDEXTb will work as the functional and visible face of Gujarat Industrial Promotion Board. The Government realizes the necessity of granting all necessary clearances promptly and therefore, has put in place a high powered body GIPB under the Chairmanship of Hon'ble Chief Minister with Hon'ble Minister for Industry as the Vice-Chairman and Industries Commissioner as the Member Secretary for large projects. All the departments concerned with the industrial development in the state are the Members on the Board. INDEXTb has been assigned with the responsibility to work as the Secretariat of this Board. For the purpose, a Common Application Form has been designed and the promoter(s) of the project is required to submit his project details through this form to iNDEXTb, which, in turn, will prepare and submit the proposal to the Board after ascertaining the views of all the concerned departments to take decisions. All inter-departmental views are discussed in the Board meeting and a final decision is taken. This step is expected to prove to be a unique initiative for Gujarat in the coming years. The Government plans to replicate the model of GIPB now at the district level for small and medium projects.

The set up of the Industries Commissioner ate will be thoroughly revamped through o capacity building to act as facilitators and develop expertise in industrial intelligence by studying the change in behavior and health of specific sectors of industry in terms of internal and external factors.

Corporations like GIDC, GSFC and GIIC will also be restructured along with re-defining of their role. An exercise of proper assessment of the workload of the officers will be carried out and based on the same, they will be entrusted more of promotional work and escort assistance to large projects under implementation.

The Government will direct all the Boards and Corporations to undertake massive capacity building programmers through professional training.

The on going process of E-Governance would be completed in a definite time frame to ensure availability of information, effective monitoring of project implementation, file tracking and disposal to ensure speedy decision making etc.

In order to respond sensitively to the needs of industrial investments in an expeditious manner and to effectively monitor the progress of implementation of the projects, it is felt necessary to reiterate the following mechanisms, which are already

For industrial projects: -

Less than Rs. 5 crore - District Industries Development Centre (DIDC) Rs.5 50 crore - Industries Commissionerate Rs.50-100 crore - Inter Departmental Committee headed by Chief Secretary More than Rs.100 crore - Gujarat Industrial Promotion Board (GIPB) headed by Hon'ble Chief Minister.

For infrastructure projects: -

For giving fast track clearances to the Infrastructure projects, a special organization - Gujarat Infrastructure Development Board (GIDB) is already in operation. Government of Gujarat has taken initiatives to make **E-governance** a norm in its everyday activity. This initiative is considered to help the Government officials to respond promptly to the queries/problems of general public. In addition, it is also used to ease the process of faster inter-departmental communication. This concept of e-governance through electronic devices will be used extensively and made more effective in its true sense, in the times ahead. Also, the Government appreciates the necessity of keeping the channels of communication with the industries as well as their associations live. With this objective in mind, the Government has decided to strengthen the effective

Grievance Redressal Mechanism on the lines of SWAGAT programmed initiated by Hon'ble Chief Minister, on-line for entrepreneurs and Industries Associations. The Government of Gujarat is fully committed to redress legitimate grievances of investors/entrepreneurs by enabling them to file their complaints at the state level with Industries Commissioner and at the district level with DICs. Once in a month, video conferencing exercise would be taken up with all the functionaries of DIDC and Industries Commissionerate as well as other organizations.

4.9 INFRASTRUCTURE DEVELOPMENT - A PRIORITY ON THE STATE AGENDA: -

Sound physical infrastructure with easy availability of key utilities is a dream scenario for any investor. The state is aware of the fact that at present, the investment in industry overshoots the investment in infrastructure. While this may offer faster economic growth in the short run, it might ultimately prove to be unsustainable. Therefore, both industry and infrastructure should keep pace with each other so that the balance of regional development is not affected. Although Gujarat boasts of a State with one of the best infrastructure facilities, it is realized that since last a few years, other states in India have also speeded up the activity to augment their infrastructure facilities. The state has therefore, decided to benchmark itself with the quality of infrastructure available in developed countries and would also ensure that this infrastructure would be made available to both the industries and citizens at reasonable tariffs. Though Gujarat has relatively a good network of roads, it plans to strengthen this network further by converting existing roads into multi-lane roads and expressways depending upon the traffic requirements.

Pipeline for bulk supply of water: -

The Government also is in the process of laying pipeline all across the state for bulk supply of water for drinking and industrial purposes from the network of Narmada canals especially in the areas of Saurashtra, Kutch and North Gujarat. This will ease the perennial shortage of water in these areas and it should be possible to promote industries requiring substantial quantities of water in these areas.

Gauge conversion of railway tracks: -

The State Government will pursue the Ministry of Railways to complete the gauge conversion of all the rail tracks in the state as early as possible. The Government is also considering implementing metro rail project between Ahmedabad and Gandhinagar to ease the load of traffic congestion.

Establishment of SEZs and Industrial Parks: -

Recently, the Government came out with ordinances to encourage private developers to set up SEZs and Industrial Parks. Both these ordinances will be converted into Acts very soon. The Government will also continue to offer financial assistance for employment-oriented parks, high-tech parks and investment-oriented parks under the present scheme.

Up gradation of GIDC and private Estates: -

Good infrastructure is the crucial requirement of the industries. The Government is committed to bring about qualitative change in the conditions of existing GIDC estates. Some of the estates were set up in the decades of 60s and 70s and the infrastructure was designed and developed with the requirements of the time then. The Government has planned to convert the existing land allotted on leasehold basis to freehold basis to the allottees by charging appropriate premium. A portion of the premium so collected would form an integral part of a special fund to be created for up gradation of GIDC and other industrial estates, known as Industrial Estate Development Fund (IEDF). This issue is dealt in more detail in subsequent part of the chapter. The Government also plans to facilitate broadband access in major industrial estates. The new industrial estates being set up by GIDC now will have all modern amenities.

Greater emphasis for up gradation of urban infrastructure: -

Again, keeping in mind the need to provide better quality of life to the citizens in the State, greater emphasis will now be paid to upgrade the urban infrastructure including civic amenities. For the purpose, the local bodies would be strengthened by way of greater autonomy, expertise and funding not only to maintain the existing infrastructure and systems but also to upgrade the same on a continuous basis.

Establishment of Trade Centres: -

Setting up of new trade centres with private investment will be encouraged and for the purpose, the existing scheme of providing subsidy for such trade centres will be continued. Looking to the present status of developments, it is felt that there is a good scope for setting up international trade centres for textiles and diamond at various places in general and more particularly in Ahmedabad and Surat. For the purpose, the state will provide all necessary facilitation services to the developers.

4.10 EMPOWERMENT OF INDUSTRIAL ESTATES: -

The process of facilitation would be incomplete without an active involvement and support from the representative bodies of trade and industry. For the purpose, the industrial estates will be empowered to undertake developmental activities. The Industrial Estates will aggressively take up the issues of development, maintenance and up gradation of infrastructure in their respective estates. Various innovative measures have been devised to be implemented through representative bodies of industries by redefining their role by way of developing physical, social and service infrastructure as also strengthening the member units in terms of their capacity to compete at international levels. A special fund, Industrial Estate Development Fund (IEDF) would be created for the purpose. A portion of the premium received from the conversion from leasehold land to freehold land would constitute a part of IEDF, besides the fund available through other schemes as well as market borrowings. The quantum of this fund to be made available to the individual industrial estates would depend upon their performance rating by private accredited agencies in terms of various quantitative and qualitative parameters, including managerial competence and financial management acumen. At the industrial estate level, a committee would be constituted to take decisions on the use of the funds with a representative each of GIDC and Government.

Performance rating and appraisal: -

As outlined above, the Government plans to empower the industrial estates by placing funds for implementation of various developmental projects in respective estates/clusters at their disposal. Each estate/cluster may have varying capacities to handle the nature and size of the projects. Before therefore deciding the quantum and nature of assistance, the Government would arrange for performance appraisal of the industrial estates from the viewpoint of technical and managerial competence as well as acumen of financial management. Past record would also be taken into account, while deciding the grading of individual estates. This rating will be carried out with the help of accredited private agencies every year and on the basis of the grading, the Government will decide the quantum of financial assistance. The rating system would infuse a culture of competition among the industrial estates, which would ultimately result into the development of member units.

ISSUES PERTAINING TO ALLOTMENT OF LAND: -

Making the land available in time for industrial use at a reasonable and competitive price without any hassle is the main concern of every investor to ensure that the project goes on stream without undue delay and the policy therefore has rightly given due weight age to this issue. The important issues involved are: easy availability of private land/Government land, clearing of NA permission, land acquisition and evaluation of land. Keeping in view the objective to promote industrialization in Gujarat, the Revenue Dept has so far taken following steps vide different GRs to facilitate allocation of land to industries.

a. A provision of Deemed NA has been made which allows a bonafide industrialist to acquire agricultural land and commence activity without prior NA permission, as per the provisions under Sections 63 & 65 (as amended) of Land Acquisition Act. At the executive level of local administration as well as for the knowledge of industries, this provision will be reiterated.

b. Land under restricted tenure is now easily convertible to old tenure for industrial purposes.

c. Section 63AA of Gujarat Tenancy Act which came into effect from 6th March 77 enables a bonafide industrialist to possess agricultural land for setting up industrial undertaking without prior approval of the District Collector.

d. For valuation of Government land, the value upto Rs.50 lakhs is decided by the District Level Pricing Committee. In case of value exceeding Rs.50 lakhs is decided by the State Level Pricing Committee. This mechanism facilitates appropriate and quick evaluation of land.

e. As regards land acquisition, urgency clause is also invoked in deserving cases of public or private limited companies to facilitate quicker possession of land for industrial purposes.

Government/private land: -

i. The valuation procedure of Government land is being simplified further to help quicker disposal of proposals of allotment of land.

ii. Jantry rationalization currently used in stamp registration is also being taken up to help speed up the valuation procedure.

iii. Geographical Information System (GIS) will be developed in due course along with updating and up gradation of land records to identify parcels of Government land available for potential development. The object is to have a decentralized approach to enable an entrepreneur to get all the information at one point at the district level. The Government also plans to make available this information on-line in due course. This will also help to reduce the time of processing drastically.

iv. The Government also proposes to dispense with the necessity to obtain NA permission in case of areas marked under Town Planning Schemes.

v. The Government proposes to consider the concept of allotment of Government land initially at full price to be neutralized over a period of time commensurate with the progress of project implementation.

GIDC Land: -

i. In case of allotment of land within the GIDC estate, the present policy of fixing the cost of land at "cost plus price" principle will be changed and the cost shall now be fixed on "Average Pricing" principle so as to generate demand for development of the estate at a price less than the actual cost. Subsequently, on development of estate, the price could be raised depending upon the demand.

ii. In order to minimize the payment of NA assessment charges, GIDC would identify and earmark the land and acquire the same only before the actual allotment. In other words, the time between the allotment and acquisition would be minimized.

iii. To reduce the hassles for the transfer, subletting and mortgaging the lease-hold interests in favour of financial institutions and to generate funds for the Exchequer and for providing support to strengthen the clusters including GIDC estates, the Government, as approved in principle earlier, would constitute a Committee under the Chairmanship of Hon'ble Minister of State for Industries to decide the "premium" to be charged on conversion of lease-hold land to freehold land in GIDC estates.

iv. It is further decided that a portion of this premium would constitute **"Industrial Estate Development Fund"** which shall be administered by a committee headed by the Industries Commissioner.

v. From the Industrial Estate Development Fund, the Government would consider sanctioning the assistance in the form of grant to existing industrial estates for up gradation of infrastructure facilities. The quantum of the fund will be decided on the basis of the rating of performance and capacity of the respective industrial estates. This would help them to tie up market borrowings for such developmental projects.

vi. For the purpose, infrastructure is defined as the facilities of physical, social and service infrastructure. Physical infrastructure includes internal roads, CETPs, water pipelines, sewage disposal system, effluent disposal system and landfilled sites, street lightings, desalination plants, captive power plants, water recycling plants etc. The social sector of infrastructure includes such facilities as health (e.g. clinics, trauma centres, emergency wards and hospitals), education (e.g. primary school, colleges and technical training institutes) and sports (e.g. swimming pools, tennis courts, badminton courts, gymkhana, etc), housing development, entertainment and shopping complexes. The service infrastructure would include the facilities of library, testing laboratories, centres of excellence, creativity centres, training centres etc.

vii. The Government would consider offering financial assistance for development and up gradation of infrastructure in the industrial estates/clusters only towards capital cost from the Industrial Estate Development Fund. The recurring cost for maintenance of the facilities will have to be raised by the member units/beneficiary units of the estates/clusters.

viii. The Government would lay down detailed guidelines for funding the industrial estates out of the Industrial Estate Development Fund. Both GIDC and private estates would be assisted through this fund for infrastructure development, as per the norms laid down by the Government. The estates desiring to seek assistance for an infrastructures project, should prepare a Detailed Project Report indicating the funding pattern and returns on the project to ensure viable operations. Other schemes like Critical Infrastructure Fund, Industrial Estate Development, etc. of the Government will also be used for financing infrastructure projects.

ix. The eligibility and the extent of financial assistance from Industrial Estate Development Fund shall depend upon the rating of the estate in terms of needs, technical and managerial competence, acumen of financial management, past track record, etc. This rating will be carried out through private accredited agencies.

x. Towards privatisation, the Government has decided to encourage the estate agencies/association to convert the present system of power and water supply on a co-operative basis by setting up Common Power Plants and Common Desalination Plants. Such activities would be encouraged by the Government through funding from the Industrial Estate Development Fund.

xi. Government would also encourage the replacement of present street light systems by a solar street light system in large Industrial estates/parks. Such activities would be entitled to funding from Industrial Estate Development Fund.

4.11 SMALL AND MEDIUM ENTERPRISES: -

Gujarat, since many years has been known as the land of entrepreneurs. It is this entrepreneurial spirit that ushered the process of emergence of a sector characterized by many small and medium scale industries in the state. Small-scale industries are the major contributors to the economy of any region. Looking to the nature of investment and technology adopted by them, they offer wide scope for employment opportunities thus helping to alleviate the core problem of unemployment in our country. The sector has matured over a period of time driven by the business acumen of the entrepreneurs in terms of their technical skills and capability to run units with lower overheads. However, with the Indian economy steadily aligning with the global environment, a need is now felt to strengthen small and medium sector units in terms of an array of needs like capacity building, infrastructure support, financing, technology up gradation, research and development activities, quality improvement, market access and many more … so as to enable them to have competitive advantages in the international market.

Cluster Development Approach: -

The strong presence of 76 identified manufacturing sectors consisting of a large number of small and medium scale industries provides a very vibrant manufacturing base for the state. Each of these sectors is located in clusters spread throughout the state. With increasing extent of globalization and liberalization, when economies of scale and quality would play predominant role in the international trade, empowering industries of the state to meet with such challenges is an imperative need of the present time. The cluster development approach is therefore an important initiative for empowering the clusters to face the challenges.

The Government therefore, plans to strengthen existing clusters in the state to provide necessary support to meet with the challenges ahead. A cluster would be defined as a group of industries manufacturing identical and complimentary products. The Government has decided to recognize a cluster with a critical mass of a minimum of 50 units located within the radius of 10 kms at a particular location. The number of 50 units could be relaxed by the Government in respect of certain sectors having regard to the managerial and technical competence, size and the nature of the industry. The Government aims to empower the clusters by providing need-based financial assistance for taking up strengthening activities. For the purpose, individual clusters will be rated by accredited rating agencies in terms of technical and managerial competence, level of maturity, administrative set up, past track record, transparency of operations, etc. Based on the grading, quantum of financial assistance will be decided. The assistance will be provided for the purpose of helping the clusters in up gradation of both product design and technology, quality improvement, R&D activities, common branding and marketing facilities, development of common facilities such as library, testing and certification laboratories, tool room, soft skill development, capacity building for workers and supervisors in terms of skill up gradation and productivity, etc besides the up gradation/creation of common infrastructure facilities. Assistance to the identified clusters will be from existing schemes of the government. Detailed guidelines for assistance will be laid down separately. The Government also has decided to offer concessions in the form of electricity duty exemption for a period of first five years to the cluster associations if they set up either common power plants or common effluent treatment plants or waste recycling plants.

Develop common facility center sin clusters: -

Small-scale industries have proved to be a major contributor to the economy of the state; both in terms of value addition and employment generation and therefore, their importance cannot be understated. However, in the coming years, Government feels that for small units to survive and prosper, 'consolidation' would be the key. The existing clusters need to be strengthened so as to enable them to convert adversities into opportunities. The role of the respective cluster associations would therefore, be crucial in this context. The associations would be encouraged to take up the following activities.

- Creation of common facilities like Research and Development laboratories, the fruits of which can be reaped by all the participants. Improved technology and quality product designs would be the password for the small scale units for entry in the international market and the associations would make a periodic review of their member units on this aspect.
- The cluster associations will also help the member units by involving R&D institutions in up gradation of technology with the help of Government fund
- The associations will assist their member units to tie up bank finance and at the same time will also help the banks to recover their dues.
- The Government will also encourage cluster associations to set up cooperative banks to enable members units to avail of finances at competitive cost. For the purpose, the Government would provide necessary interventions in terms of ensuring proper monitoring and regulating operations, human resource development and arrangement of funds.
- The associations will also help the units to find new markets. For the purpose, they will maintain an extensive information bank of the opportunities available for their cluster products in other markets, as also they will strive to devise strategies for strengthening existing markets of their member units. They would make representations to the Government, if the latter's intervention is required.
- The associations will encourage common branding and marketing through the brand development and marketing fund. Government considers this to be a very important aspect, as it will enable the units to canalize their efforts in a focused direction, as also it would initiate a process of projecting image of Gujarat as a leading producer of quality goods.
- The cluster associations will launch a campaign for the use of cleaner technologies. For the purpose, arrangement would be made to provide

information on advice and guidance as well as training on pollution control norms.

- ❖ The cluster associations will also arrange for the capacity enhancement programmers including productivity improvement for the workforce engaged in the member units.
- ❖ The cluster associations will also motivate the member units to go for review of energy and water consumptions for the purpose of conservation of these resources. For the purpose, they will also be encouraged to use energy efficient devices as well as minor modifications in the process design to change the operating conditions.
- ❖ The cluster associations may arrange for a collective participation in national as well as international fairs.

SME Sector: -

Apart from the approach of cluster development as outlined above, the need for strengthening the existing SME units also assumes importance. However, such assistance should be done in a manner that good and healthy unit with managerial and financial strengths would feel encouraged by the recognition of performance. Yet genuine sick and weak units should also be extended a helping hand. A concept of credit and performance rating would enable Government to assist such units. This concept should also enable the unit to approach money market for borrowing at reasonable rates of interest. This will be very useful because of a feeling of general neglect of SSIs by banking institutions and ailing SFCs.

Assistance for Technology Up gradation: -

In the times to come, technology would dictate the manufacturing sector in any industry. The industries with superior technology will ultimately have a cutting edge by being equipped with the ability to provide quality products and services in a cost effective manner. In today's world, when the process of 'technology change' has become an unbridled phenomenon, it is very essential that the industries try to keep pace with the rapid changes in the technology, identify and adopt ones, which fit the best in their set-up. Government appreciates this fact and therefore, plans to encourage industries thinking in the direction of upgrading their existing technology. For the purpose, Government plans to introduce a scheme to provide an interest subsidy @ 3% on purchase of all capital equipments necessary to be installed for technology up gradation for a period of 5 years subject to a maximum of Rs.3 lakhs per year, to the small and medium sector units.

Technology Acquisition and Patent Tracking Fund: -

Technology Acquisition: -

Acquisition of technology is also a complex process. It may perhaps not be possible for individual small units to acquire technology on their own. The Government therefore plans to create an administrative set up in the Industries Commissionerate comprising technology experts, to source, assess and acquire appropriate technologies. For the purpose, the Government has decided to create an initial revolving fund. The administrative set up will procure the technology and in turn will transfer it to individual units at reasonable price. This will also include the technologies, which are generic in nature and useful to the whole cluster in the form of drawings and designs mainly for SSI units. The technology transfer will also include the training component. This benefit could be extended to recognized clusters as well.

Patent Tracking: -

In the changing business environment, which is likely to impact the export, drive from Gujarat; it is necessary to keep a close track on the details of patent registrations taking place globally. This fund therefore will also be utilised towards appointing professional agencies to monitor and make available periodic tracking reports on patent registrations and their profiles for catering to the information needs of the industry in Gujarat. The benefit could be extended to recognized clusters as well. The details will be worked out and notified separately.

Quality Up gradation Scheme: -

In the new emerging scenario, quality up gradation is a must for every industry to survive, be it in the small or medium or large sector. The Government of Gujarat also realises the importance of this critical factor and therefore, has decided to continue to extend its current scheme of quality up gradation to reimburse the expenses incurred which will include cost of acquiring equipments required for testing and R&D connected with quality up gradation and acquisition of quality marks as well as consultancy fees required if any, to be paid to recognized R&D institutions/firms. This assistance is also extended for obtaining ISO 9000 and ISO 14000. Assistance will also be offered for various other schemes including GMP, Six Sigma, HACCP, and cleaner technology, Total Productivity Maintenance/Management (TPM), Just in Time (JIT), CRM/SCM/BPR packages and other sectoral programmers, which will be notified from time to time. The scheme provides for a maximum of Rs.25, 000/- per scheme as grant from the Government on a matching fund basis with the contribution from the individual units with an overall ceiling of Rs.1 lakh per SSI unit, once in every five years. The identified cluster would also avail of the benefit for its units.

Industrial Sickness: -

Industrial sickness has become a critical but unpleasant feature of the Indian economy. In order to ensure rapid growth of industrial economy, the sickness should be cured and subsequently to be eradicated. The Government plans to set up a mechanism to detect the reasons for possible sickness of a particular industrial sector as a whole over a period of time through studies so that these reports could serve as whistle-blowing exercises in advance to enable appropriate Government interventions to be made in time to prevent the sector falling sick.

Cash Subsidy for common R&D activities: -

In order to survive and to thrive in the years ahead, activities of research and development would become an integral part of any industry. Government realises the importance of R&D in the industry and have therefore, decided to promote the same in a big way, more so in the small and medium sectors. The Government has therefore, decided to continue the present scheme of providing assistance in the form of cash subsidy at the rate of 50% subject to a maximum of Rs.5 lakhs for the necessary expenditure incurred towards R&D activities. Identified clusters could also take up collective R&D work under the scheme.

Conservation of Energy and need for Energy Review: -

The Government plans to encourage energy review in a big way by providing subsidy to conduct energy review to SMEs. This will help in conservation of precious energy in general and the unit also to be benefited in terms of cost of operations. For the purpose, the Government has decided to offer the Energy Review Subsidy. This subsidy will however be disbursed only after the unit introduces the energy conservation measures as suggested in the study report. For the purpose, the Government will appoint a large pool of accredited review agencies.

Assessment of Water Consumption: -

In the recent years, water is also considered to be one of the important resources, more so in the context of Gujarat. The Government therefore, wants to encourage proper assessment of water requirements of the industries to enable them to conserve water, which could be utilized for other purposes. The Government has therefore, decided to offer cash subsidy for assessment of water consumption in the existing industries. This subsidy will however be disbursed only after the unit introduces water conservation measures as per the recommendation of the assessment agency. For the purpose, the Government will appoint accredited agencies.

Interest subsidy: -

The existing scheme of providing interest subsidy to small scale units will also be continued with modification in view of fluctuating interest rates. Under the scheme, a new small scale unit will be offered an interest subsidy @ 5% per annum or Rs.5 lakhs whichever is less subject to a condition that the unit will have to pay a minimum of 5% of interest per annum. This benefit will be extended for a period of five years, subject to an overall ceiling of Rs 25 lakhs.

4.12 CONCLUSION: -

Small-scale industry plays a vital role in the economic development of any country. After liberalization policy of India small-scale sector face a problem of competition from other corporate. Even though small-scale sector s has been became a important sector for the development of country. In Gujarat the development of small-scale industry is also satisfactory during the study period. To develop small scale sector in Gujarat government has also taken a promotional and developmental majors during the study period.

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CHAPTER – 5

PERFORMANCE OF SIDBI IN INDUSTRIAL DEVELOPMENT

5.1 INTRODUCTION: -

SIDBI has emerged as a major purveyor of a wide variety of financial services to the small-scale sector. The SIDBI (Amendment) Act 2000 came into effect from March 27,2000. It has changed the provisions, relating to capital structure shareholding management, business borrowings, acceptance of deposits and investments. In tandem with overall policy measures of the Government of India and keeping in view the expectation of the sector. SIDBI, has been refining its strategies and putting in place new policies and programmes for the development of the sector. During ten years of its operations. The Bank has been fairly successful in facing the challenges while assisting the sector and in the process has emerged as a strong and vibrant institution. Besides, Co-opromoting new intermediaries and strengthening the existing network of institutions engaged in development of SSI sector channelising assistance in respect of Government sponsored. Schemes and covering them under its development activities SIDBI also developed tailor made schemes catering to specific requirements of SSIs.

SIDBI's policies programmes and interventions were aimed at promoting an orderly healthy growth of three distinct segments Viz, micro, tiny and modern SSI focusing on five prime factors Viz, entrepreneurship credit, technology, market and infrastructure.

While consolidating the activities of the previous years SIDBI has taken new initiatives during 1991-2004 Keeping in view the market requirements with the focused intervention for high growth sector. The Bank has taken steps to set up national and state/regional level funds dedicated to the small-scale units in software. If Industry with participation, from central and state Governments financial institutions and private sector. In association with the Ministry of Information Technology (MIT) Government of India and IDBI, SIDBI has launched a Rs. 100 million National venture fund for software and Information Technology Industry (NFSIT) to meet the requirements of software and It firms in the SSI sector. The Bank has also set up two subsidiaries viz SIDBI venture capital Limited.

During the year SIDBI was made the nodal agency for the Technology, upgradation fund scheme for Textile and Jute Industries and Tannery Modernisation scheme launched by GOI. In addition to channelising, assistance under these schemes both through direct assistance and refinance routes the Bank introduced two new scheme during the year 1997-2004 Viz, short Term Loans to state electricity Boards and Invoice discounting scheme.

5.2 PERFORMANCE OF SIDBI IN SSI DEVELOPMENT: -

During 1997-2004 SIDBI signed a memorandum of understanding (MOU) with export – Import Bank of United States along with IDBI, for providing support to Indian SMEs seeking to purchase US goods and services through information exchanges, and appropriate financing. Oportunities, which could include credit guarantees, Co-financing and parallel, financing. The Bank also appointed a working Grop on developing capital markets for SSI sector.

Consequent to setting up of International co-operation. Division in SIDBI during 1997-2004 several initiatives were taken during 1997-2004 for extending technical consultancy support to banks/institutions overseas. The Bank has received requests from a number of countries including Gujarat and India all state. SIDBI is also contemplating to provide lines of credit to institutions in these developing countries for covering their imports from India SSI sector on a deferred payment basis.

(I) TREND IN ASSISTANCE SIDBI

(II) PRODUCT-WISE ASSISTANCE SIDBI

(I) TREND IN ASSISTANCE SIDBI: -

Table – 5.1

Trende in Assistance Sanctioned and Disbursed by SIDBI (Rs. Cr.)

Year rate (%)	Sanctions	Growth	Disbursements	Growth rate (%)
1 990-9 1	2408.7		1838.5	
1991-92	2846	18.2	2027.4	10.3
1992-93	2909.2	2.2	2146.3	5.9
1993-94	3356.3	15.4	2672.7	24.5
1994-95	4706.3	40.2	3389.8	26.8
1995-96	6065.6	28.9	4800.8	41.6
1996-97	6485.3	6.9	4584.7	-4.5
1997-98	7484.2	15.4	5240.7	14.3
1998-99	8879.8	18.6	6285.2	19.9
1999-2000	10264.7	15.6	6963.5	10.8
2000-01	10820.6	5.4	6441 .4	-7.5
2001-02	9025.5	-16.6	5919.3	-S.I
2002-03	10903.5	20.8	6789.4	14.7
2003-04	8246.3	-24.4	4414.2	-35
Cumulative up to end-March 2004	94404.4		63514.6	
CAGR*				
CAGR (1990-91-		18.2		165
CAGR (1995-96- 1999-2000)		141		9.7
CAGR (2000-01-		-8.7		-11.8

***CAGR**: Compounded Annual Growth Rate **Source**: -SIDBI Report

Graph – 5.1

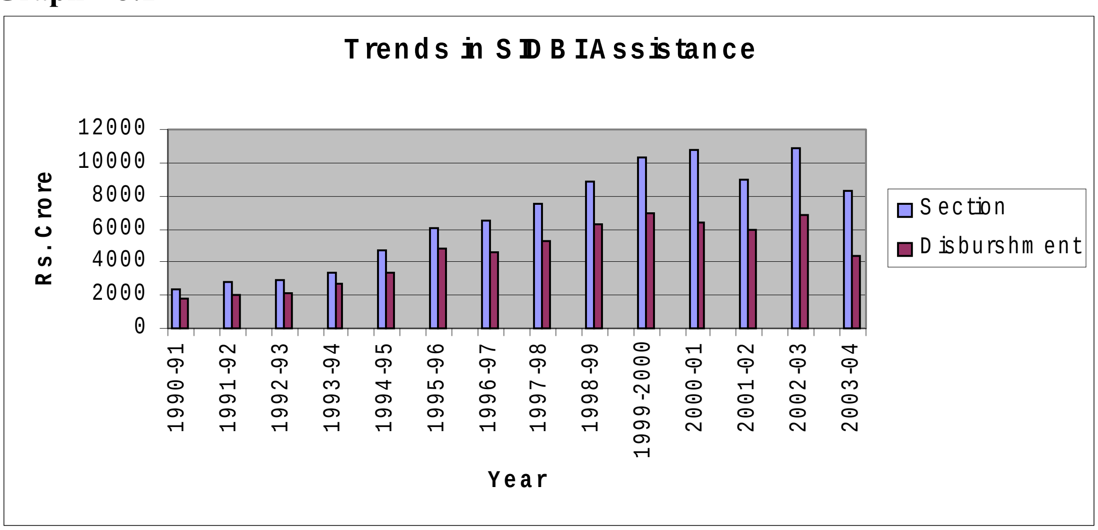


Table – 5.1 shows the trends in assistance sanctioned and disbursed by SIDBI during the period of 1990-91 to 2003-04. The trends of amounts sanctioned by SIDBI showed fluctuating. In the year 1990-91 SIDBI has sanctioned the amount of Rs. 2408.7 and it increase and reached at Rs. 2846.0 with the growth rate of 18.2 per cent. In the year 1992-93 the sanctioned amount is increased and reached at Rs. 29909.2 crores with the growth rate of 2.2 per cent. The sanction amount of SIDBI in the year 1993-94 was Rs. 3356.3 and then with sharp increase it reached at Rs. 4706.3 crores. The actual amount of sanctioned increased and reached at Rs. 6065.6 crores. Then after with continuous increasing trend in sanction amount by SIDBI it reached at Rs. 10820.6 crores and in the year 2001-02 it decreased and reached at Rs. 9025.5 crores and in next year with 20.8 per cent growth rate it reached at Rs. 10903.5 crores. And again it decreased with negative growth rate of -24.4 and actual amount of sanction assistance of SIDBI was Rs. 8246.3 crores.

The compounded annual growth rate for the period of 1990-91 to 1994-95, 1995-96 – 1999-2000 and 2000-01 to 2003-04 in assistance sanctioned by SIDBI were 18.2 per cent, 14.1 per cent and -8.7 percent respectively.

The amount disbursements of SIDBI during the study period showed ups and down trends. In the year 1990-91 the actual disbursement amount was Rs. 1838.5, which was in sort of Rs. 570 crores as compared to sanctioned amount. Then with the growth rate of 10.3 per cent disbursement amount it reached at Rs. 2027.4 crores and again with sharp increase it reached at Rs. 2146.3 crores in the year 1992-93. Then in next three years with sharp increasing growth rate, it reached at Rs. 4800.8 crores in the year 1995-96 with the growth rate of 41.6 per cent. In the year 1996-97 the disbursement assistance of SIDBI was decreased and reached at Rs. 4584.7 crores. Then in next three years the disbursement amount of SIDBI's trends showed a increasing and the actual amount of sanctioned by SIDBI in the year 1999-2000 was Rs. 6963.5 crores. Ands in the next year it decreased and reached at Rs. 6441.4 crores in the year 2000-01 and again with an ups and down trends it at Rs. 4414.2 crores in the year 2003-04 with negative growth rate of -35.0 per cent.

The compounded annual growth rate for the period of 1990-91 to 1994-95, 1995-96 – 1999-2000 and 2000-01 to 2003-04 in assistance disbursements by SIDBI were 16.5 per cent, 9.7 per cent and -11.8 percent respectively.

(II) PRODUCT-WISE ASSISTANCE SIDBI: -

Table – 5.2

PRODUCT-WISE ASSISTANCE SANCTIONED AND DISBURSED (Rs. crore)

Product	Sanctions					Disbursements				
	1999-2000	2000-01	2001-02	2002-03	2003-04	1999-2000	2000-01	2001-02	2002-03	2003-04
1. Direct Finance										
A. Project Finance										
(i) Rupee loans	445.5	329.2	691.7	454.9	1236	252.4	184.8	98.9	80.8	281.3
(ii) Foreign currency loans		1.4	-	-	10.5	0.4	3.8	-	2.7	14.9
Sub-total (A)	**445.5**	**330.6**	**691.7**	**454.9**	**1247**	**252.8**	**188.6**	**98.9**	**83.5**	**296.2**
B. Non-Project Finance										
(i) Asset eredil/										
equipment finance	804.3	817.5	703.9	703.6	480.6	741.5	703.5	620.3	593.5	408.3
(ii) Working capital/										
short-term loans	315.2	315.7	65.3	82.2	121.7	103.6	163.2	78.8	0.2	154.2
(iii) Equipment leasing*	130	65	93	27.5	30	-	10	52	34	49
Sub-total (B)	**1250**	**1198**	**862.2**	**813.3**	**632.3**	**845.1**	**876.7**	**751.1**	**627.7**	**611.5**
Total (1)	1695	1529	1554	1268	1879	1098	1065	850	711.2	907.7
2. Refinance//	7066	8411	6664	8847	5317	4552	4598	4333	5339	2548
3. Bills Finance										
(i) Bills rcdiscounting	255.7	85.9	45.4	68.6	65.4	193.1	66.7	42.7	66	64.6
(ii) Direct discounting	1248	794.6	736.9	684.7	886.5	1121	711.9	668.5	637.4	835.5
Total (3)	! 503.5	880.5	782.3	753.3	95 1 .9	1314	778.6	711.2	703.4	900. 1
4 Loans to and investments										
in shares/bonds of FIS(s)@	-	-	25	35.4	98.4	-	-	25	35.4	58.1
Grand-total (I+2t-3+4)	**10265**	**10821**	**9026**	**10904**	**8246**	**6964**	**6441**	**5919**	**6789**	**4414**

Leasing assistance to NBFCs # *Include* line of credit to refinance, short-term loans to banks, line of credit to Refinance for Technology Development and Modernisation, refinance for Techonology Upgradation, refinance non-SSI, leasing assistance to SFCs/SIDCs, short-term loans (SFCs/SIDCs/IIDCs/SSIDCs), New Debt Instrument, ad-hoc bonds, SSIDC, line of credit to SFCs for working capital/marketing, line of credit to

SFCs/SIDCs/Banks, line of credit to banks for pre-shipment credit in foreign currency, line of credit for OTC Exchange of India Ltd., line of credit to other institutions/companies, seed capital, National Equity Fund, Manila Udyam Nidhi & Self Employment for Ex-servicemen@ Contribution to corpus/equity of Credit Guarantee Fund Trust for Small Industries / Detailed Analysis of Product Wise Assistance Sanctioned and Disbursed by SIDBI **Source**: -SIDBI Report

(1) DIRECT FINANCE SCHEME: -

Objective: -

SIDBI had been providing refinance to State Level Finance Corporations / State Industrial Development Corporations / Banks etc., against their loans granted to small-scale units.

Since the formation of SIDBI in April 1990 a need was felt/ representations were made that SIDBI being the principal financial institution for the small sector, should take up the financing of SSI projects directly on a selective basis.

So it was decided to introduce direct assistance schemes to supplement the other available channels of credit flow to the small industries sector. Since then, SIDBI has evolved itself into a supplier of a range of products and services to the Small & Medium Enterprises [SME] sector.

Direct Credit Scheme: -

SSIs Service sector units with project cost upto Rs.25 crore Medium Sector Enterprises (MSE) and Service sector units with project cost above Rs.25 crore and upto Rs.250 crore.

Eligible Borrowers: -

1. New or existing SSI units.
2. SSI unit graduating to medium scale,
3. Service sector units with an overall project cost not exceeding Rs.25 crore.
   - i] New or existing medium sector enterprises,
   - ii] Service sector units with an overall project cost above Rs.25 crore and upto Rs.250 crore with Bank's assistance not exceeding Rs. 50 crore.

Constitution: -

The unit should generally be a private limited / public limited company. However, partnership firms, sole proprietorship concerns and Societies and Trusts would also be considered on a case-to-case basis. The unit should generally be a private limited / public limited company

Nature of assistance: -

Term loan and other forms of assistance such as Working Capital Term Loan and bills discounting (on selective basis). Term loan and other forms of assistance such as Working Capital Term Loan, suppliers' & purchasers' bills discounting. Investment products such as debentures, optionally convertible cumulative preference shares, zero coupon bonds, etc.

Currency of loan: -

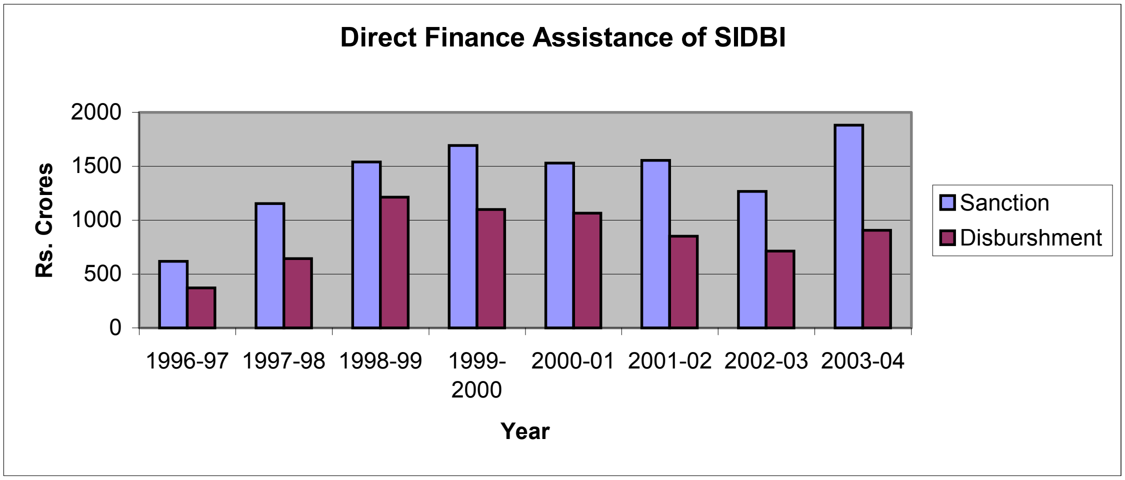
In Rupee or foreign currency In Rupee or foreign currency

Table – 5.3
Direct Finance Assistance of SIDBI

Year	Sanction	Index	Disbursement	Index
1996-97	616.45	100	373.61	100
1997-98	1155.41	187.4	645.75	172.8
1998-99	1537.7	249.4	1212.94	324.7
1999-2000	1695	275	1097.9	293.9
2000-01	1528.8	248	1065.3	285.1
2001-02	1553.9	252.1	850	227.5
2002-03	1268.2	205.7	711.2	190.4
2003-04	1879.2	304.8	907.7	243

Source: -SIDBI Report

Graph – 5.3



The sanction amount and disbursement amount through finance was depicted in the **T**able No. 5.3. The sanction amount was 616.45 crores was in 1996-97 and disbursement amount was 373.64 crores in 1996-97 which was near about 50 percent of sanction amount. The sanction amount jumped and reached at 1155.41 crores in 1997-98 and disbursement amount was 645.75 crores in 1997-98. The sanction amount further increased to 1537.7 cores and 1695 crores in 1999-2000. The disbursement amount was also high in 1998-99 which was 1212.94 crores but it declined to 1097.90 crores in 1999-2000.The sanction amount was 1528.80 crores and 1553.90 crores in 2001-02. The disbursement amount was 1065.30 crores in 2000-01 and 850 crores in 2001-02.The disbursement amount was very low in compare to sanction. The sanction amount was 1553.90 crores in 2001-02 but it declined to 1268.20 crores in 2002-03.The sanction amount increased to 1879.20 crores in 2003-04.The disbursement amount was 711.20 crores in 2002-03 and it rose to 907.70 crores in 2003-04. The index of sanction amount was supposed to be 100 percent in the base year then after it increased to 187.43 percent in 1997-98.It was increased to 249.44 percent in 1998-99 and 274.96 percent in 1999-2000. The index of sanction amount then slight declined to 248.00 percent in 2000-01 but again it increased to 252.07 percent in 2001-02. The index was 205.73 percent in 2002-03 and it was 304.84 percent in 2003-04, which was the highest index during the study period. The index of sanction amount was ranged between the highest of 304.84 percent in 2003-04 and lowest of 100 in the base year. The index showed fluctuating trend during the study period. The index of disbursement amount was 100 percent in the base year then after it increased to 172.84 percent in 1997-98 and 324.65 percent in 1998-99. The index of disbursement amount declined to 293.86 percent in 1999-2000 and 285.14 percent in 2000-01. The index of disbursement amount was 227.51 percent in 2001-02 and 190.36 percent in 2002-03 which then rose to 242.95 percent in 2003-04.The index of disbursement amount was also showing fluctuating trend during the study period. The highest index was 324.65 percent in 1998-99 and lowest index of 100 in as year. The direct finance sanction was comparatively high but disbursement amount was very low.

(A) PROJECT FINANCE ASSISTANCE OF SIDBI: -

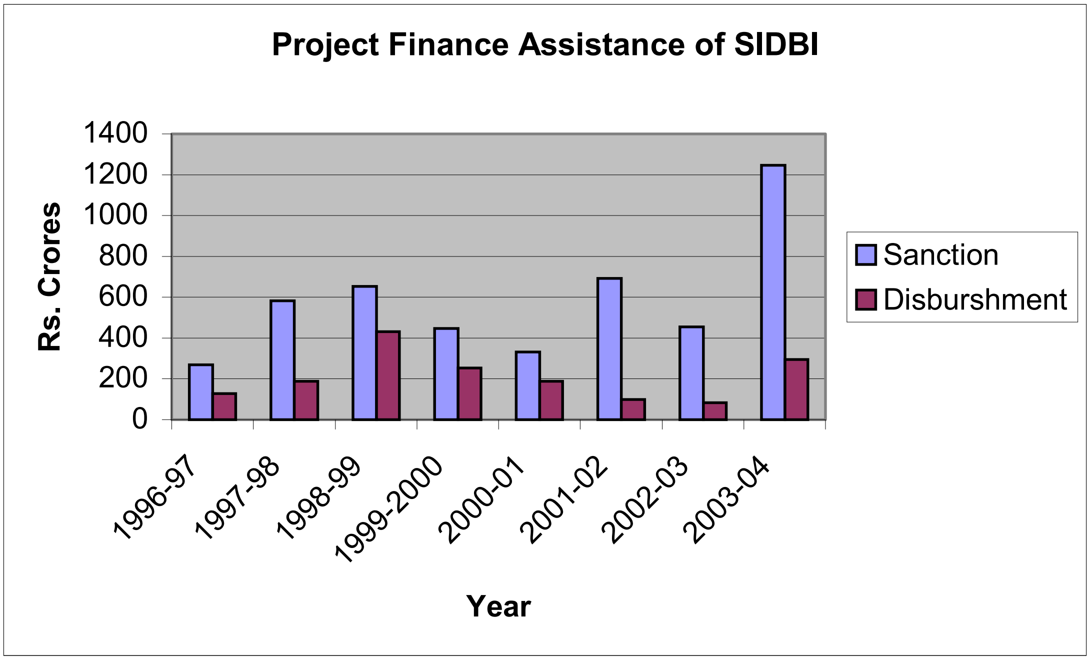
Table – 5.4

Project Finance Assistance of SIDBI

Year	Sanction	Index	Disbursement	Index
1996-97	267.85	100	127.81	100
1997-98	583.11	217.7	187.45	146.7
1998-99	652.3	243.5	430.44	336.8
1999-2000	445.5	166.3	252.8	197.8
2000-01	330.6	123.4	188.6	147.6
2001-02	691.7	258.2	98.9	77.38
2002-03	454.9	169.8	83.5	65.33
2003-04	1246.9	465.5	296.2	231.8

Source: -SIDBI Report

Graph – 5.4



Sanction amount and disbursement amount of project finance was shown in above **T**able No.5.4. The project finance sanction amount was 267.85 crores in 1996-97 and it rose in 583.11 cores in 1997-98. The sanction amount also increased to 6652.30 amounts in 1998-99 but it went down to 445.50 crores in 1999-2000. The sanction amount also decreased to 330.60 crores in 2000-01 then after it rose to 691.70 crores in 2001-02. The sanction amount again declined to 454.90 crores in 2002-03 but sanction amount was the highest of 1245.90 crores in 2003-04.The index showed the trend of sanction amount. The index in base year was 100 percent then after it rose to 217.70 percent in 1997-98 and 243.53 percent in 1998-99. The index declined to 166.32 percent in 1999-2000 and 123.43 percent in 2000-01. The index again increased to 258.24 percent in 2001-02. The index was 169.83 percent in 2002-03 and it went up to 465.52 percent in 2003-04. The disbursement amount was 127.81 percent in 1996-97 and then it increased to 187.45 crores in 1997-98 and 430.44 crores in 1998-99. The disburshment amount again declined to 252.80 crores in 1999-2000 and 188.60 crores in 2000-01. The amount was highly fluctuated and reached at the level of 98.90 crores in 2001-02 and 83.50 crores in 2002-03.The disburshment amount 296.20 crores in the last year of the study period. The trend of disbursement amount was highly fluctuated during the span of the research period. The index was the highest in 1998-99 (336.78 percent) and the lowest was 65.33 percent in 2002-03. The sanction amount was very in the last year of the study period but the disburshment amount was very low in compare to sanction amount in the last year of the study period.

(B) NON- PROJECT FINANCE ASSISTANCE OF SIDBI: -

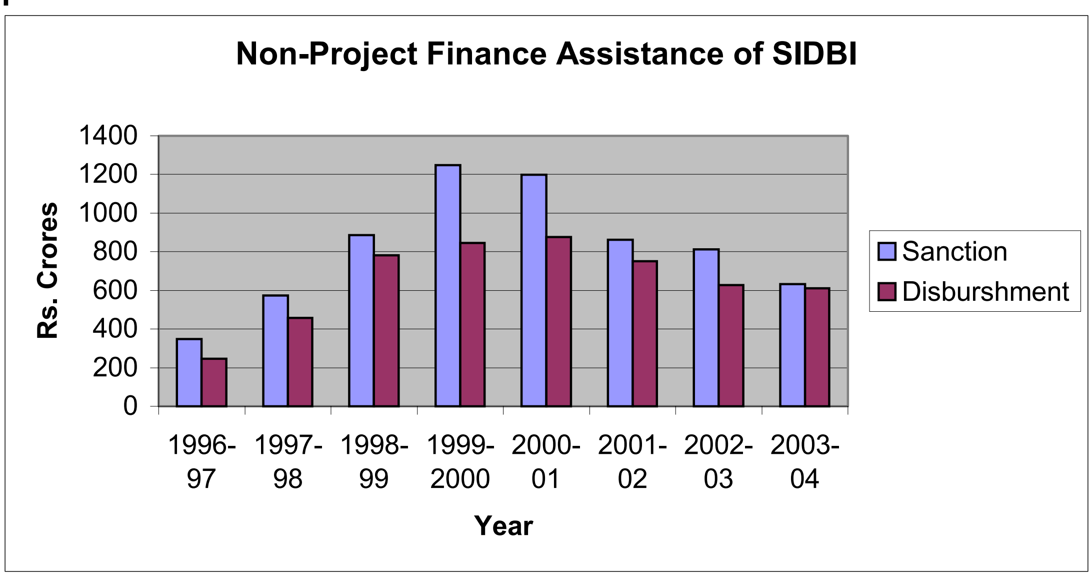
Table – 5.5

Non- Project Finance Assistance of SIDBI

Year	Sanction	Index	Disbursement	Index
1996-97	348.6	100	245.8	100
1997-98	572.3	164.2	458.3	186.5
1998-99	885.4	254	782.5	318.4
1999-2000	1249.5	358.4	845.1	343.8
2000-01	1198.2	343.7	876.7	356.7
2001-02	862.2	247.3	751.1	305.6
2002-03	813.3	233.3	627.7	255.4
2003-04	632.3	181.4	611.5	248.8

Source: -SIDBI Report

Graph – 5.5



The **T**able no.5.5 showed amount of sanction and disbursement of non-project finance. The sanction amount was 348.60 crores in 1996-97 and it increased to 572.30 crores in 1997-98. The sanction amount was highly rose to 885.40 crores in 1998-99 and 1249.50 cores in 1999-2000 but it slightly declined to 1198.20 crores in 2000-01. The sanction amount was 862.20 crores in 2000-01,813.20 crores in 2002-03 and 632.30 crores in 2003-04.The index showed the trend of sanction amount from 1996-98 to 2003-04.the index of sanction amount was 100 percent in the base year then it highly increased to 164.17 percent in 1997-98 and 253.99 percent in 1998-99. The index of sanction amount was 358.43 percent in 1999-2000 and 343.72 percent in 2000-01 but it declined to 247.33 percent in 2001-02 and 233.30 percent in 2002-03. The index of sanction amount was also very low in the last year of the study period. The trend was fluctuating from the highest of 358.43 percent in 1999-2000 and the lowest 100 percent in base year. The disbursement amount was 245.80 crores in 1996-97 and it went up to 458.30 percent in 1997-98. The disbursement amount was also increased and reached at 782.50 crores in 1998-99,845.10 crores in 1999-2000 and 876.70 crores in 2000-01. The disbursement amount declined to 751.10 crores in 2001-02 and 627.70 crores in 2002-03. The disbursement amount was also low in the last year of study period. The index of disbursement amount was supposed to be 100 percent in the base year and then it went up to 186.45 percent in 1997-98 and 318.35 percent in 1998-99. The index of disbursement amount was 343.82 percent in 1999-2000 and 356.67 percent in 2000-01. The index was 305.57 percent in 2001-02 and then it declined to 255.37 percent in 2002-03. In the last year of the study period the index was 248.78 percent. The trend of the disbursement amount was showing slightly fluctuating from 1996-97 to 2003-04. The amount sanction and disbursement was good in the last years however the sanction amount decreased in the last three years but disbursement amount was comparatively good.

(2) REFINANCE ASSISTANCE OF SIDBI: -

Refinance: -

Objectives: -

Refinance scheme is introduced for catering to the need of funds of Primary Lending Institutes for financing small-scale industries.

Under the scheme, SIDBI grants refinance against term loans granted by the eligible PLIs to industrial concerns for setting up industrial projects in the small scale sector as also for their expansion / modernisation / diversification.

Term loans granted by the PLIs for other specified eligible activities / purposes are also eligible for refinance.

Table – 5.6

Refinance Assistance of SIDBI

Year	Sanction	Index	Disbursement	Index
1996-97	2609.12	100	2123.73	100
1997-98	2450.97	93.94	1941.74	91.43
1998-99	3171.78	121.6	2640.16	124.3
1999-2000	7066.2	270.8	4551.9	214.3
2000-01	8411.3	322.4	4597.5	216.5
2001-02	6664.3	255.4	4333.1	204
2002-03	8846.6	339.1	5339.4	251.4
2003-04	5316.8	203.8	2548.3	120

Source: -SIDBI Report

Graph – 5.6

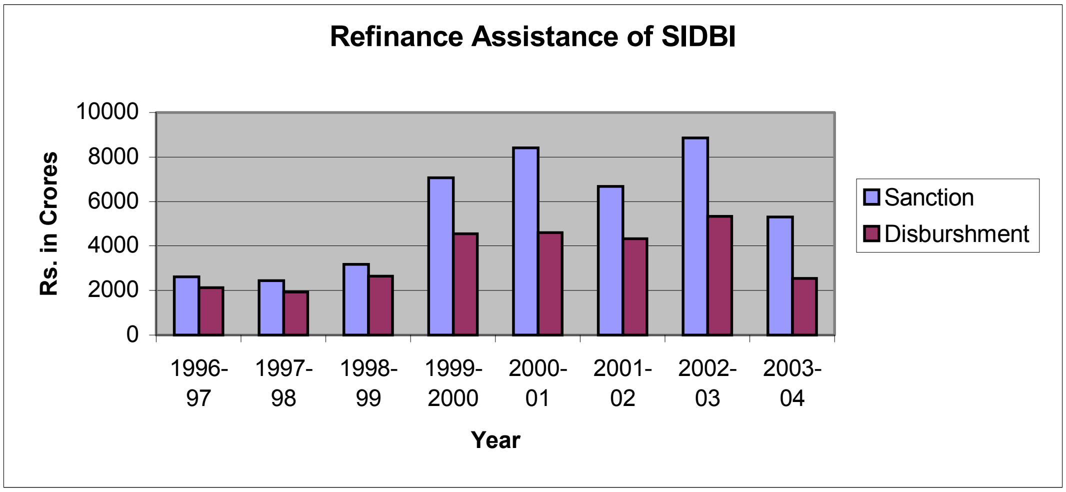


Table No.5.6 showed refinance assistance of the bank, which includes sanction amount and disbursement amount from 1996-97 to 2003-04. The sanction amount was 2609.12 crores in 1996-97, which decreased to 2450.97 crores in 1997-98. The sanction amount rose and reached to 3171.78 crores in 1998-99. The sanction amount was 7066.20 crores in 1999-2000 and 8411.30 crores in 2000-01 then the sanction amount slightly decreased and went down to 6664.30 crores in 2001-02. The amount further increased and reached at 8846.6 crores and it further went down to 5316.80 crores in 2003-04.The index of sanction amount was 100 in the baser year then the index decreased to 93.94 percent in 1997-98.the index was 121.57 percent in 1998-99 and 270.83 percent in 1999-2000 and then after index rose to 322.28 percent in 2000-01 and it was slight below in 2001-02. The index then went up to339.06 percent 20025-03 but it was 203.78 percent in 2003-04.Thus the index showed fluctuated trend. The disbursement was 2123.73 crores in 1996-97, which was 1941.74 crores in 1997-98, and 2640.16 crores in 1998-99. The disbursement amount was 4551.90 crores in 1999-2000 and 4597.5 crores in 2000-01.The disbursement amount decreased slightly and reached to 4333.10 crores and further it increased at the highest level of 5339.40. At the end of the study period the amount was 2448.30 crores. The index of disbursement amount was 100 percent in the base year then after it was 91.93, which was below the base year. The index was 124.32 percent in 1998-99 and 214.34 percent in1999-2000. The index was 216.48 percent in 2001-02 and 251.42 percent in 2002-03 then it was 119.99, which was very low to previous year. The index of disbursement amount was increasing up to 2000-01 and then it was fluctuated in the last three years of the study period. The index in the year of 2002-03 the sanction amount was highest and in disbursement amount was also highest.

(3) BILL FINANCING ASSISTANCE OF SIDBI: -

Bill Finance: -

Objectives: -

Bills Finance Scheme involves provision of medium and short-term finance for the benefit of the small-scale sector. Bills Finance seeks to provide finance, to manufacturers of indigenous machinery, capital equipment, components sub-assemblies etc, based on compliance to the various eligibility criteria, norms etc as applicable to the respective schemes.

To be eligible under the various bills schemes, one of the parties to the transactions to the scheme has to be an industrial unit in the small-scale sector within the meaning of Section 2(h) of the SIDBI Act, 1989.

Table – 5.7

Bill Financing Assistance of SIDBI

Year	Sanction	Index	Disbursement	Index
1996-97	2079.65	100	1825.77	100
1997-98	2008.85	96.6	1771.35	97.02
1998-99	1625.75	78.17	1459.85	79.96
1999-2000	1503.5	72.3	1313.7	71.95
2000-01	880.5	42.34	778.6	42.65
2001-02	782.3	37.62	711.2	38.95
2002-03	753.35	36.22	703.4	38.53
2003-04	951.91	45.77	900.14	49.3

Source: -SIDBI Report

Graph – 5.7

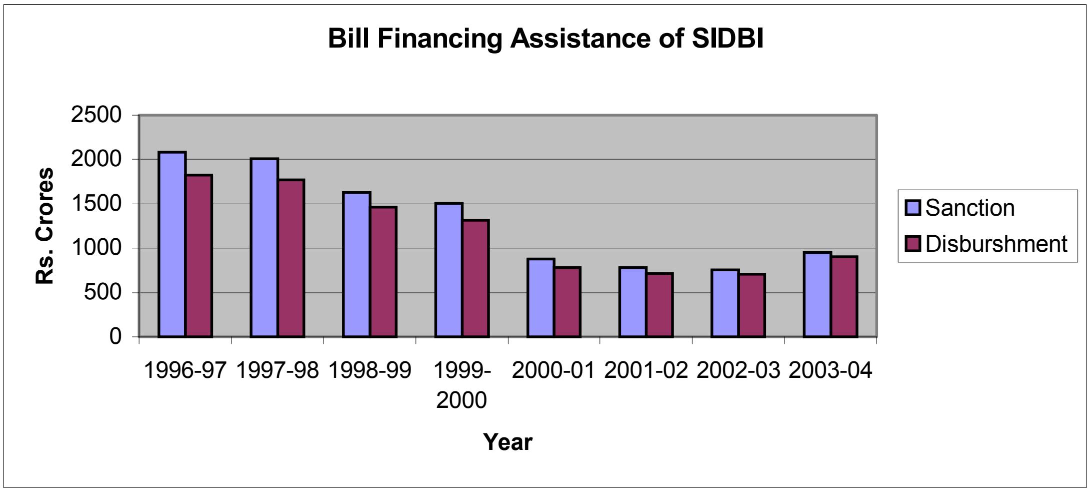


Table No.5.7 indicates sanction of bill financing and disbursement of bill financing from 1996-97 to 2003-04. The bill financing sanction was 2079.65 crores in 1996-97 and disbursement amount was 1825.77 crores in 1996-97. The sanction amount was decreased in to 2008.85 crores in 1997-98 and disbursement amount was 1771.35 crores in 1997-98, which was lower than the previous year. The sanction amount of bill financing went down and reached at 1503.50 crores in 1999-2000 and 880.50 crores. The disbursement amount also showed same trend in these years. The sanction amount was 78.30 crores in 2001-02 and 753.35 crores in 2002-03 whereas the disbursement amount was 711.20 crores in 2001-02 and 703.40 crores in 2002-03. The sanction amount was 951.91 crores in 2003-04 and disbursement amount was 900.14 crores in 2003-04. The index of sanction amount was 100 percent in the base year then it was 96.60 percent in 1997-98 but in was declined to 78.17 percent in 1998-99. The index of sanction amount was 72.30 percent in 1999-2000 and 42.34 percent in 2000-01.It was 37.62 percent in 2001-02 which was considered to be the very low. The index was 36.22 percent in 2002-03 and 45.77 percent in the last year of the study period. Thus the index of sanction amount was showing decreasing trend and index of disbursement amount was also showing decreasing trend from 1996-97 to 2003-04.It was 100 in the base year and it then decreased to 97.02 percent in 1997-98 and 79.96 percent in 1998-99. The index of disbursement amount was 71.95 percent, which was lower than the previous index of disbursement amount. The index was 42.65 percent in 2000-01 and 38.95 percent in 2001-02.It was 38.53 percent in 2002-03. The index was 49.30 percent in 2003-04. The highest sanction amount was 2079.65 crores in 1996-97 and lowest sanction amount was 753.30 crores in 2002-03. The disbursement amount was highest was in 1825.77 crores in 1996-97 and was very lowest in 703.40 crores in 2002-03.

(A) BILL REDISCOUNTING ASSISTANCE OF SIDBI: -

Bills Rediscounting: -

Purpose: -

For sale / acquisition of machinery on deferred payment terms for setting up of new SSI units as also for expansion, diversification, modernisation, replacement, addition of balancing equipment etc.

Eligibile Borrowers: -

Manufacturer-sellers / purchaser-users of indigenous machinery / capital equipment one of whom should be in the small scale sector

Norms: -

Scheme operated through scheduled commercial banks.

Usance of Bills - Normally 2-5 years.

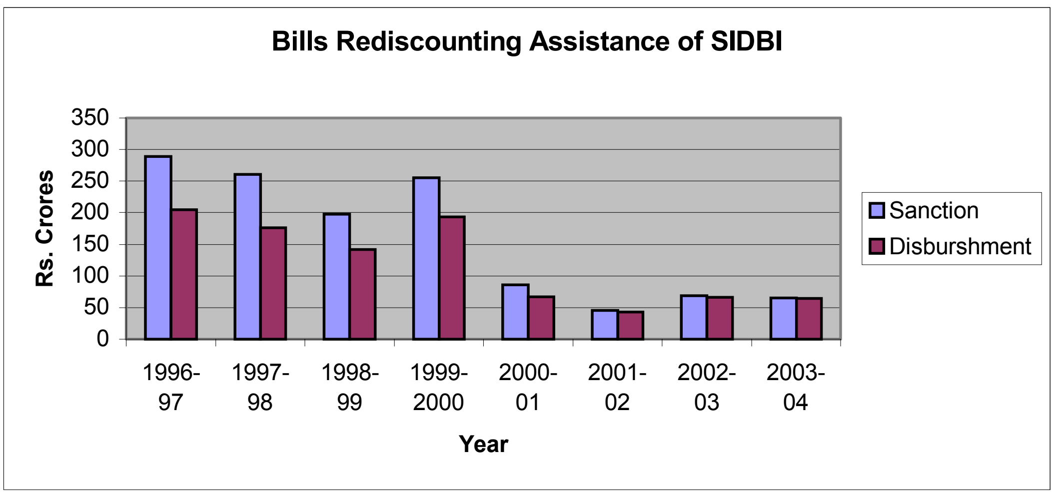
Table – 5.8

Bill Rediscounting Assistance of SIDBI

Year	Sanction	Index	Disbursement	Index
1996-97	289.09	100	204.68	100
1997-98	260.6	90.14	176.12	86.05
1998-99	197.62	68.36	141.53	69.15
1999-2000	255.7	88.45	193.1	94.34
2000-01	85.9	29.71	66.7	32.59
2001-02	45.4	15.7	42.7	20.86
2002-03	68.6	23.73	66	32.25
2003-04	65.4	22.62	64.6	31.56

Source: -SIDBI Report

Graph – 5.8



The amount sanction and disbursement of bill rediscounting was shown in the **T**able No.5.8. The sanction amount was ranged between the highest amount of 289.09 crores in 1996-97 and the lowest amount 45.40 crores in 2001-03. The sanction amount was 260.60 crores in 1997-98and disbursement amount were 204.68 crores in the same years. The sanction amount then after declined to 197.62 crores in 1998-99 and disbursement amount in this year was 141.53 crores. The sanction amount rose and reached at 255.70 crores in 1999-2000and disbursement amount also rose to 193.1 crores in the same year. The sanction amount was highly declined to 85.90 crores in 2001-02 and 45.40 crores in 2001-02. The sanction again rose to 68.60 crores in 2002-03 and it was slightly declined to 65.40 crores in 203-04.the index was 100 percent in the base year then the index declined to 90.14 which was downwards. The index was 68.36 percent in 1998-99 and 88.45 percent in 1999-2000. The index was very 29.71 pe4rcent in 2000-01 ant it was very 15.70 percent which was the lowest index during the study period. The disbursement amount of bill rediscounting was found the highest in 204.68 crores in 1996-97 and the lowest in 42.70 crores in 2001-02. The index of disbursement amount was assumed 100 percent in the base year then after the index was declined to 76.71 percent in 1997-98 and 69.26 percent in 1998-99. The index was 94.34 percent in 1999-2000 and then it was declined to 32.59 percent in 2000-01 and 20.86 percent in 2001-02.after this year it rose to 32.25 percent in 2002-03 and 31.56 percent in 2003-04. The highest index of disbursement amount was observed in the base year and the lowest index was seen 94.34 percent in 1999-2000. Thus it can be concluded the sanction amount and the disbursement amount have decreased in the last four years of the study period.

(B) DIRECT DISCOUNTING ASSISTANCE OF SIDBI: -

Direct Discounting: -

Objectives: -

To enable manufacturers - sellers in SSI sector / service sector including construction / selling agents to offer deferred payment terms for credit sales and realise sale proceeds by discounting bills of exchange / promissory notes arising out of such sales.

Eligibile Borrowers: -

Limits are sanctioned by SIDBI to well established concerns / corporate bodies buying machinery / capital equipment from SSI units. Limits are also sanctioned to well-established SSI manufacturers - sellers

Norms: -

Usance of Bills - Normally 3-5 year’s Minimum transaction value –
Rs.1, 00,000

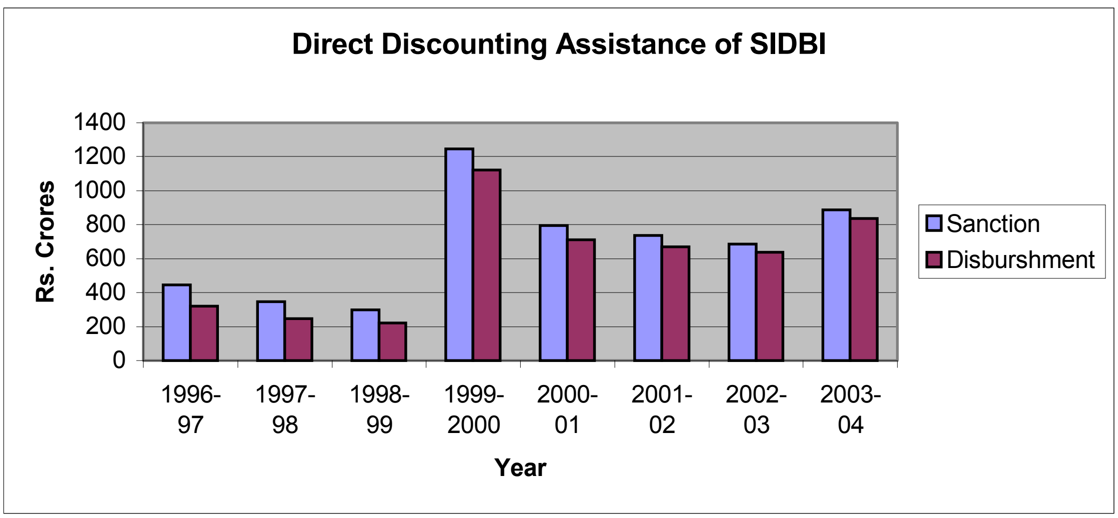
Table – 5.9

Direct Discounting Assistance of SIDBI

Year	Sanction	Index	Disbursement	Index
1996-97	445.26	100	320.39	100
1997-98	347.51	78.05	245.77	76.71
1998-99	297.61	66.84	221.91	69.26
1999-2000	1247.8	280.2	1120.6	349.8
2000-01	794.6	178.5	711.9	222.2
2001-02	736.9	165.5	668.5	208.7
2002-03	684.7	153.8	637.4	199
2003-04	886.5	199.1	835.5	260.8

Source: -SIDBI Report

Graph – 5.9



The **T**able No.5.9 showed sanction amount and disbursements amount of direct discounting. The sanction amount was 445.26 crores in 1996-97 and then it declined to 347.51 crores in 1997-98. The disbursement amount was 320.39 crores in 1996-97 and then after it has also declined to 245.77 crores in 1997-98. The sanction amount was 297.61 crores in 1998-99 and it was highly increased and reached at the highest level of 1247.80 crores in 1999-2000. The sanction amount of 1120.60 crores was also highest in this year. The sanction amount was went down to 794.60 crores in 2000-01 and 736.9 crores in 2001-02. The sanction amount also decreased to 684.70 crores in 2002-03 but in the last year it was increased to 886.5 crores. The index of sanction amount was 100 in the base year then it declined to 78.05 percent in 1997-98 and 66.84 percent in 1998-99. The index was then highly increased to 280.24 percent in 1999-2000 and it was 178.46 percent in 2000-01. The index of sanction amount was 165.50 percent in 2001-02, which was slight below the former index of sanction amount. The index of sanction amount was153.78 percent in 2002-03 and it rose to 199.10 percent in 2003-04.Thus the index of sanction amount was showing increased trend up to 1999-2000 and then it was down wards. The index of disbursement amount indicated downward trend through out the research period. The disbursement amount was 320.39 crores in 1996-97 then after it declined to 245.77 crores in 1997-98 and 221.91 crores in 1998-99. The amount of disbursement was found increased in 1999-2000 but after this year the amount highly declined to 711.90 crores in 2000-01and 668.5 crores in 2001-02.The disbursement amount also very low in the last two years of the study period. The index of disbursement amount was showing highly increased trend from 1996-97to1999-2000.Then after the trend indicates downward trend up to 2003-04. The index of disbursement amount was 100 percent in the base year then after it was 76.71 percent in 19997-98 and 69.26 percent in 19998-99. The index of disbursement amount was 349.76 percent, which was considered to the highest then after it was 222.20 percent, which very less than the former index of disbursement amount. The index was 208.65 percent in 2001-02 and 198.95 percent in 2002-03. It has been raised to 260.78 percent in 203-04.The-sanction amount and the disbursement amount of direct discounting had been decreased in the last three years.

(4) RESOURCE SUPPORT TO INSTITUTIONS / AGENCIES ENGAGED IN FINANCING SSIs BY SIDBI: -

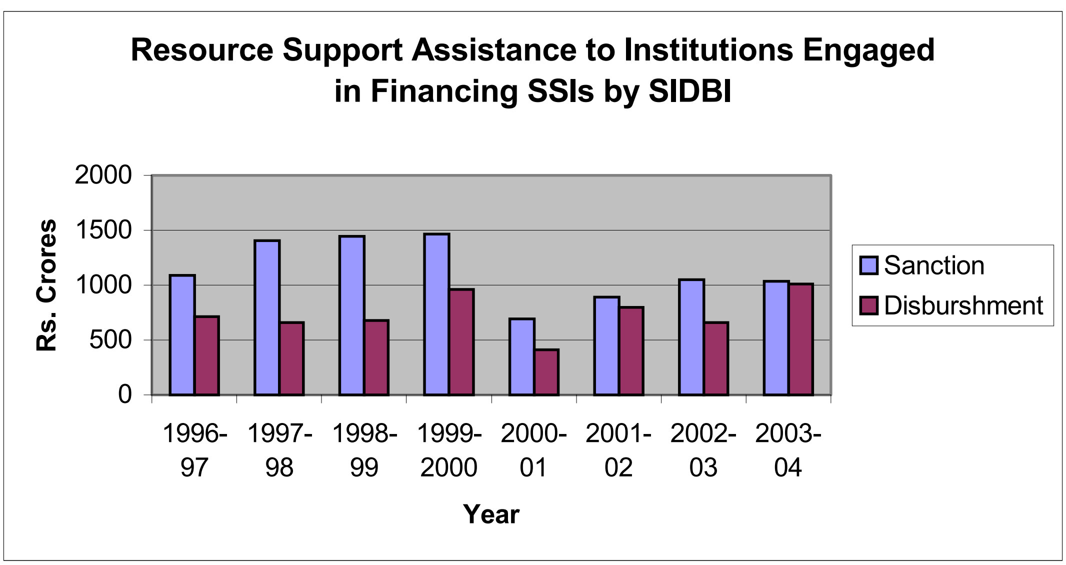
Table – 5.10

Resource Support to Institutions/Agencies engaged in Financing SSIs by SIDBI

Year	Sanction	Index	Disbursement	Index
1996-97	1091	100	713.77	100
1997-98	1406.06	128.9	660.53	92.54
1998-99	1447.7	132.7	677.7	94.95
1999-2000	1465.38	134.3	958.72	134.3
2000-01	695.089	63.71	410.342	57.49
2001-02	892.32	81.79	795.65	111.5
2002-03	1049.56	96.2	660.39	92.52
2003-04	1032.86	94.67	1009.36	141.4

Source: -SIDBI Report

Graph – 5.10



The **T**able No.5.10 showed amount of sanction and disbursement for resource support to institution/agency engaged in financing SSIs. The sanction amount was 1091 crores in 1996-97 and it rose to 1406.06 crores in 1997-98.

The sanction amount further increased to 1447.70 crores in 1998-99 and 1465.38 crores in 1999-2000.The sanction amount was then declined and reached to 695.089 crores in 2000-01. The sanction amount again rose to 892.32 crores in 2001-02 and 1049.56 crores in 2002-03. The sanction amount slightly decreased to 1032.86 crores in 2003-04. The index of sanction amount was progressive up to 1999-2000. The trend was then after declined to 63.71 percent. However it increased to 81.79 percent in 2001-02, 96.20 percent in 96.20 percent and it decreased to 94.67 percent. The disbursement amount was 713.77 crores in 1996-97 and then it declined to 660.53 crores in 1997-98. The disbursement amount again increased to 677.7 crores in 1998-99 and 958.72 crores in 1999-2000. The disbursement amount went down to 410.342 crores in 2000-01. The disbursement amount further rose to 795.65 crores in 2001-02 but it was declined to 660.39 crores in 2002-03. The disbursement amount was highly fluctuated and rose to 1009.36 crores in 2003-04.The index of disbursement amount was supposed to be 100 percent in the base year then it declined to 92.54 percent in 1997-98 and 94.95 percent in 1998-99. The index was increased to 134.32 percent in 1999-2000 which was the second highest during the study period. The index was then after declined to 57.49 percent in 2000-01 but it increased to 111.47 percent in 2001-02. The index went down to 92.52 percent in 2002-03 and it rose to 141.41 percent in 2003-04. The index of disbursement amount was mix and fluctuating with the highest index of 141.41 percent in 2003-04 and the lowest index was 57.49 percent. On the basis of analysis and interpretation it can be said that the resource support to institution/agency the institutions/agencies had been increased and disbursement amount was also good.

(A) EQUITY ASSISTANCE BY SIDBI: -

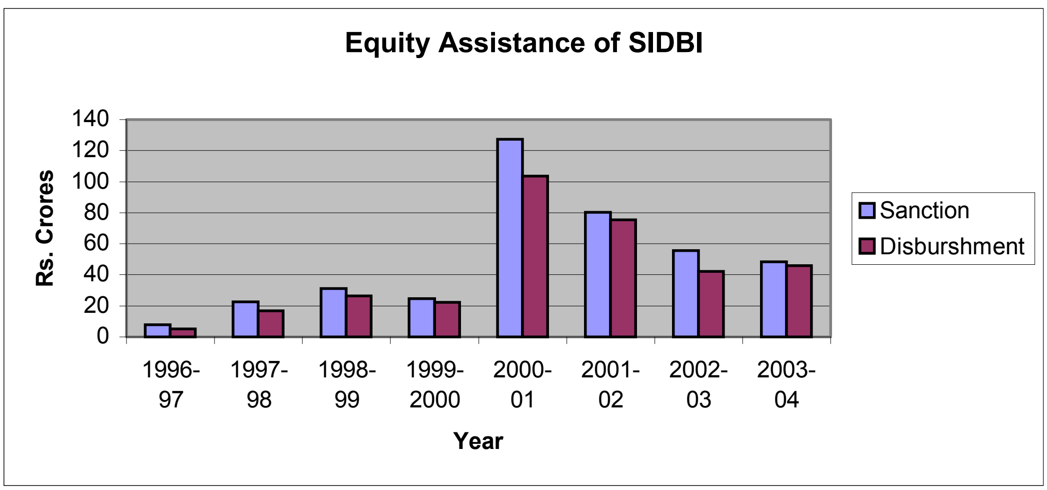
Table – 5.11

Equity Assistance by SIDBI

Year	Sanction	Index	Disbursement	Index
1996-97	8.04	100	5.04	100
1997-98	22.72	282.6	16.83	333.9
1998-99	31.06	386.3	26.36	523
1999-2000	24.83	308.8	22.17	439.9
2000-01	127.32	1584	103.53	2054
2001-02	80.32	999	75.65	1501
2002-03	55.67	692.4	42.36	840.5
2003-04	48.35	601.4	45.85	909.7

Source: -SIDBI Report

Graph – 5.11



The **T**able No.5.11 showed the equity assistance. The sanction amount was 8.04 crores in 1996-97 and then it jumped to 22.72 crores in 1997-98. The sanction amount was 31.06 crores in 1998-99 but it declined to 24.83 crores in 1999-2000. Again it went up to 127.32 crores in 2000-01. The sanction was 80.32 crores in 2001-02,55.67 crores in 2002-03 and 48.35 crores in 2003-04. The trend was showing mix and fluctuating with the highest index of 1583.58 percent and the lowest percent was 100 in the base year. After the base year the index was 282.59 percent in 1997-98 and 386.32 percent in 1998-99. The index was 308.83 percent in 1999-2000. The index of sanction amount was 1583.58

percent in 2000-01, which was the highest during the study period. The index then declined to 999.00 percent in 2001-02 and 692.41 percent. It was also very low in the last year of the study period. The disbursement amount was 5.04 crores in 1996-97 and 16.83 crores in 1997-98. The amount increased to 26.36 crores in 1998-99 but it declined to 22.17 crores in 1999-2000. The disbursement amount was the highest 103.53 crores in 2000-01 and but then it declined to 75.56 crores in 2001-02 and 42.36 crores in 2002-03. The disbursement amount slightly increased to 45.85 crores in 2003-04. The index of the disbursement amount was assumed 100 percent in the base year then after it highly increased to 333.93 percent in 1997-98 and 523.02 percent in 1998-99. The index of disbursement amount was 439.88 percent in 1999-2000 and 2054.17 percent in 2000-01, which was the highest during the study period. It was 1500.99 percent in 2001-02 and 840.48 percent in 2002-03. The index slightly rose to 909.72 percent in the last year of the study period. Showed highly fluctuated trend during the study period. The highest index was found 2054 percent in 2000-01 and lowest index was found in base years. On the basis of above analysis it can be said that there is a little different in between sanction amount and disbursement amount.

(B) INDUSTRY- WISE ASSISTANCE SANCTIONED AND DISBURSED: -

Table - 5.12

INDUSTRY-WISE ASSISTANCE SANCTIONED AND DISBURSED (Rs. crore)

	Sanctions					Disbursements				
Industry	**1999-2000**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**1999-2000**	**2000-01**	**2001-02**	**2002-03**	**2003-04**
1. Food products	383.1	369.8	350.4	201.4	235.9	310.0	314.0	288.3	133.0	190.9
(a) Sugar	13.6	8.6	3.2	3.0	3.4	11.2	7.0	2.7	2.5	3.3
(b) Others	369.5	361.2	347.2	198.4	232.5	298.8	307.0	285.6	130.5	187.6
2. Textiles	280.6	263.3	179.6	101.2	142.5	240.0	205.0	171.4	85.0	87.2
(a) Cotton	139.2	170.5	103.0	83.1	133.0	139.5	121.6	88.3	74.1	85.4
(b) Artificial fibres	141.4	92.8	76.6	18.1	9.5	100.5	83.4	83.1	10.9	1.8
3. Jute	1.8	7.4	5.8	3.8	0.7	1.5	2.1	2.7	7.9	0.8
4. Paper & paper products	66.5	52.6	44.9	45.5	45.2	61.7	44.1	40.1	39.2	36.8
5. Leather & leather products	8.3	26.4	27.6	7.4	3.7	9.5	22.5	6.1	7.3	4 1
6. Rubber & rubber products	43.6	36.4	84.4	30.8	20.2	36.2	36.3	40.7	18.5	19.3
7. Plastic & plastic products	88.3	63.9	62.5	42.7	48.7	72.7	58.1	50.1	34.3	32.9
8. Chemicals										
& chemical products	132.9	102.0	91.1	65.0	75.4	108.6	80.4	72.8	46.6	36.5
(a) Petrochemicals	5.2	1.6	2.0	4.9	0.2	3.9	1.2	1.4	1.2	O.I
(b) Basic industrial										
chemicals	32.1	29.7	26.7	15.3	17.5	24.2	24.8	20.7	17.0	10.6
(c) Explosives	6.4	4.1	3.5	8.7	27.4	7.5	3.9	3.2	2.3	1.4
(d) Other chemicals	89.2	66.6	58.9	36.1	30.3	73.0	50.5	47.5	26.1	24.4
9. Pharmaceuticals	34.3	29.0	16.1	10.2	19.0	28.7	21.6	13.4	21.8	9.8
10 Fertilisers	15.6	1.2	7.0	1.8	2.8	14.3	1.4	6.3	4.2	1.1
11 . Cement	15.1	18.3	0.4	7.1	5.7	12.3	11.3	0.3	5.1	1.8
12. Ceramics & refractories	24.5	36.8	24.7	12.4	7.3	19.3	28.2	13.6	10.3	3.2
13. Basic metals	75.7	53.5	86.4	82.3	66.0	61.0	40.1	92.3	105.5	27.1
(a) Iron & steel	60.4	40.8	41.5	36.2	58.3	47.3	29.4	53.4	41.9	21.7
(b) Non-ferrous	15.3	12.7	44.9	46.1	7.7	13.7	10.7	38.9	63.6	5.4
14. Metal products	260.1	217.9	96.3	69.3	85.6	168.5	196.5	81.3	60.8	65.1
15. Machinery	366.8	106.2	143.6	65.6	80.1	340.1	100.4	132.5	64.3	69.2
16. Electrical equipment	307.2	123.8	108.8	71.4	195.4	276.8	114.3	100.6	49.9	42.5
17. Electronic equipment	18.8	142.5	18.9	59.9	107.7	8.8	39.8	16.9	56.7	96.4
18. Information technology	49.0	21.2	27.4	47.2	24.7	72.6	48.6	15.8	20.3	7.7
(a) Computer hardware										
& systems	20.2	7.9	6.5	13.8	6.4	9.7	5.8	5.6	7.2	5.0
(b) Computer software										
& services	28.8	13.3	20.9	33.4	18.3	62.9	42.8	10.2	13.1	2.7
19. Automobile ancillaries	119.2	49.5	68.5	29.7	16.9	111.3	44.5	58.6	18.7	4.5
20. Transport equipment	176.9	90.3	24.1	121.8	96.6	156.1	88.0	22.8	81.7	94.3
21. Infrastructure	703.3	496.4	347.1	207.9	425.3	496.3	360.1	235.7	130.4	208.2
(a) Electricity generation	653.8	433.3	267.5	134.6	206.4	460.4	322.5	175.1	102.5	114.2
(b) Transmission										
& distribution	1.9,5	25.9	3.3,8	28,2	1.95.6	14.4	19.1	25.4	2.5	75.0
(c) Telecommunications	1.8			1.5	1.5	-	-	-	-	0.5
(d) Others	28.2	37.2	45.8	45.1	21.8	21.5	18.5	35.2	25.4	18.5
22. Entertainment	-	-	-	8.0	1.0	-	-	-		1.0
23. Services	927.3	663.9	604.9	489.2	387.4	875.5	521.9	408.0	276.6	257.8
(a) Hotels	177.9	173.1	124.3	119.1	70.3	127.4	116.7	93.4	69.3	42.8
(b) Hospitals	55.8	60.7	70.6	51.6	22.8	50.3	34.4	51.4	28.4	15.7
(c) Road transport	152.8	102.0	67.5	23.9	5.6	145.9	92.1	60.5	11.6	5.1
(d) Financial services	0.8	0.9	0.7	3.8	0.3	0.9	0.9	0.6	0.1	0.3
(e) Others	540.0	327.2	341.8	290.8	288.4	551.0	277.8	202.1	167.2	193.9
24. Mining & quarrying	22.4	35.0	21.1	36.6	28.0	18.6	21.3	14.5	24.1	21.2
25. Other industries	793.2	1089.1	866.9	686.5	956.3	402.1	742.3	415.9	460.7	649.6
Total	**4914.5**	**4096.4**	**3308.5**	**2504.7**	**3078.1**	**3902.5**	**3142.8**	**2300.7**	**1762.9**	**1969.0**

Source: -SIDBI Report

Table – 5.12 indicates the Industry wise assistance sanctioned and disbursed by SIDBI in Rs. Crore. The trends amount in sanctioned amount shows a highly fluctuating. In the year SIDBI has sanction Rs. 4914. 5 crore and with continues decreasing trends in next three year and reached at Rs. 4096.4 crores, Rs. 3308.5 crore and Rs. 2504.7 crore in 2000-01, 2001-02 and 2002-03 respectively. On the other hand SIDBI's disbursements trends in assistance to various industries showed fluctuating trends. In the year 1999-2000 disbursements amount was Rs. 3902.5 crores and with an ups and down it reached at Rs. 1969.0 crores in the year Rs. 2003-04.

SIDBI has sanctioned the assistance to 29 industries, which is shown in the table. The cumulative amount of table columns showed that SIDBI has sanctioned the highest amount towards the service industry during the period of 1999-2000 to 2003-04 and followed by infrastructure industry. This trends shows now SIDBI are interested to develop service and infrastructure sector by giving assistance to them according to government policy. While the disbursements amount also shows a same trends. SIDBI has disbursed the maximum amounts during the study period towards the service industry and followed by infrastructure industry.

(C) STATE-WISE ASSISTANCE SANCTIONED AND DISBURSED:-

Table - 5.13

STATE-WISE ASSISTANCE SANCTIONED AND DISBURSED (Rs. crore)

State	Sanctions					Disbursements				
	1999-2000	2000-01	2001-02	2002-03	2003-04	1999-2000	2000-01	2001-02	2002-03	2003-04
1 . Andlira Pradesh	276.0	473.3	334.3	841.2	694.0	222.5	268.2	215.0	534.0	269.5
2 Aninachal Pradesh	1.5	1.7	2.1	-	0.7	1.5	1.7	2.1		0.2
3. Assam	13.3	34.6	23.4	9.2	10.3	13.1	20.2	19.4	6.4	4.9
4. Bihar	103.1	91.9	33.8	34.3	5.6	96.7	73.6	29.2	21.8	4.9
5. Chhattisgarh	-	-	17.9	7.9	8.2	-	-	15.8	6.5	2.4
6. Delhi										
(National Capital Territory)	261.9	668.8	703.4	1200.5	1107.5	133.8	351.6	418.7	641.2	667.0
7. Goa	75.3	111.2	56.7	39.8	51.0	78.4	85.4	45.6	30.3	18.5
8. Gujarat	698.2	1193.7	975.4	823.6	623.6	417.4	716.1	574.4	542.3	287.0
9. Harvana	248.0	215.2	418.7	465.9	108.5	229.3	139.4	229.5	270.2	70.7
10. Himachal Pradesh	38.2	35.7	35.2	30.7	165.7	32.4	29.9	26.2	17.7	12.2
11. Jammu & Kashmir	17.9	184.3	219.8	71.4	185.9	16.9	92.6	137.6	67.0	70.8
12 Jharkhand	-	-	18.8	4.9	6.9	-	-	14.5	3.1	0.7
13. Karnataka	401.1	862. 1	705.1	887.6	374.5	302.8	510.7	550.3	620.7	299.3
14. Kerala	356.1	555.6	534.7	348.9	345.3	317.4	389.1	395.5	258.2	212.7
15. Madhya Pradesh	284.6	473.7	272.8	84.5	216.0	228.1	328.0	190.3	68.1	103.4
16. Maharashtra	1036.9	2081.9	1704.4	2508.1	1302.2	820.7	1320.8	1215. 1	1534.1	7116.0
17 Manipur	4.8	6.4	1.5	-	0.2	4.2	7.3	1.5		0.2
18. Mcghalaya	4.4	7.5	2.9	3.7	3.9	4.0	5.4	4.7	2.4	3.0
19. Mizoram	11.0	1.9	1.0	-	-	1.0	1.5	0.8		-
20. Nagaland	1.5	3.8	2.5	-	0.3	1.5	2.8	2.5		0.1
21. Orissa	188.4	213.9	133.9	62.6	55.3	137.1	164.4	91.8	56.0	26.3
22. Punjab	270.0	597.6	247.7	479.4	231.0	210.3	412.6	184.6	297.1	107.6
23. Rajasthan	245.9	675.2	214.3	224.5	358.4	195.2	338.5	165.1	146.7	250.8
24. Sikkim	2.5	1.1	1.1	0.4	5.5	3.7	1.1	1.2	0.2	1.5
25. Tamil Nadu	616.0	1373.8	1199.6	1369.6	1378.6	442.8	664.8	711.2	923.4	610.6
26 Tripura	5.0	7.9	1.4	8.8	1.3	5.1	6.5	1.3	5.2	0.5
27. Uttaranchal	-	-	63.2	22.0	10.3	-	-	8.3	10.6	5.3
28. Uttar Pradesh	197.9	394.5	487.5	254.5	219.0	173.8	238.6	286.6	177.5	93.9
29. West Bengal	218.6	367.0	297.0	290.4	110.1	183.6	171.0	190.4	160.0	81.7
30. Union Territories	149.9	142.3	154.7	144.1	197.3	34.7	40.4	99.8	58.8	89.4
(a) Andaman & Nicobar	-	-	0.1	1.3		-	-	0.1	0.7	-
(b) Chandigarh	129.6	95.7	95.5	102.0	143.2	17.3	14.6	61.4	34.1	66.2
(c) Dadra & Nagar Haveli	16.2	6.8	37.7	18.6	0.8	13.3	5.2	24.0	10.9	0.8
(d) Daman & Diu	2.2	20.9	15.9	5.3	6.7	1.3	11.6	9.3	3.1	6.0
(e) Lakshadweep	-	-	-	-	-	-	-	-	-	-
(f) Pondicherry	1.9	18.9	5.5	16.9	46.6	2.8	9.0	5.0	10.0	16.4
31. Multi-State/others	4546.6	44.0	160.7	685.0	469.2	2655.5	59.2	90.3	329.9	407.5
Total	**10264.7**	**10820.6**	**9025.5**	**10903.5**	**8246.3**	**6963.5**	**64414.4**	**5919.3**	**6789.4**	**4414.2**

Source: -SIDBI Report

Table – 5.13 showed state wise assistance sanctioned and disbursed by SIDBI during the period of 1999-2000 to 2003-04. The trends of amount sanctioned y SIDBI showed a fluctuating trends. In 1999-2000 the total amount t sanctioned by SIDBI to all state was Rs. 10264.7 crore and with increasing trend it reached at Rs. 10820.6 crore in 2000-01 and it decreased and reached at Rs. 9025.5 crore and again it increase and reached at Rs. 10903.5 crore in 2002-03 and finally with sharp decrease it reached at Rs. 8246.3 crore in the year 2003-04. While the trends in the disbursements amount of SIDBI showed a decreasing trend except the year 2002-03. In the year 1999-2000 SIDBI has disbursed Rs. 6963.5 crore to the all the states of India and then in next two year with decreasing trend it reached at Rs. 5919.3 crore and then in the year 2002-03 the disbursement amount of SIDBI is increased and reached at Rs. 6789.4 crore and finally with sharp decline it stopped with Rs. 4414.2 crore.

In the state wise sanctioned and disbursement amount of SIDBI the trends showed fluctuating trends. In the year 1999-2000 SIDBI has sanctioned Rs. 698.2 crores and with sharp increase it reached at Rs. 1193.7 crore and then in next three years it showed decreasing trends. The amount were sanction for year 2001-02, 2002-03 and 2003-04 were Rs. 975.4 crore, 823.6 crore, and Rs. 623.6 crore respectively. On other hand a same trend has been found in the amount disburse by SIDBI to the Gujarat state during the period of 1999-2000 to 2003-04. In 1999-2000 SIDBI has disburse Rs. 417.4 crore and then with increasing trends it reached at Rs. 716.1 crore and then in text three year with declining trends it reached at Rs. 287.0 crore. It clears from the data that SIDBI has sanctioned and disburse maximum amount to Maharashtra and followed by Tamil Nadu and Gujarat.

5.3 SIDBI ASSISTANCE TO GUJARAT STATE: -

Table – 5.14

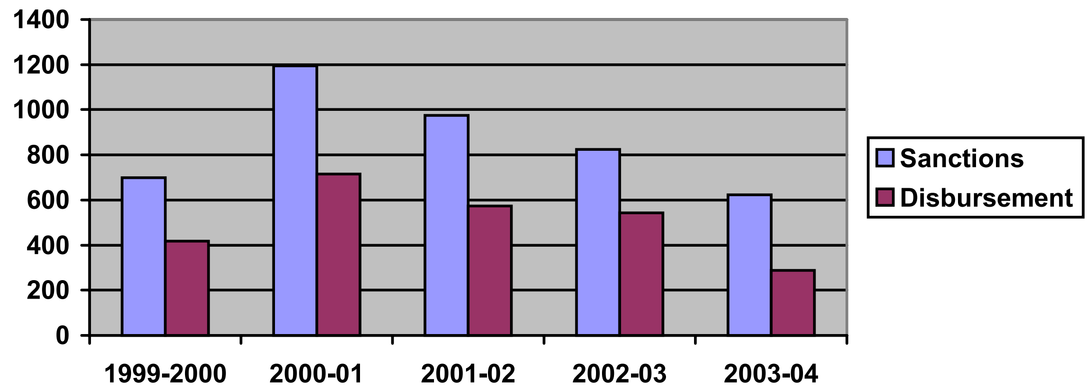
SIDBI Assistance to Gujarat State

Rs. In Crores

Year	Sanctions	Index	Disbursement	Index
1999-2000	698.2	100	417.4	100
2000-01	1193.7	171	716.1	102.6
2001-02	975.4	139.7	574.4	82.27
2002-03	823.6	118	542.3	77.67
2003-04	623.6	89.32	287	41.11
Cumulative	9657.1	6035		

Source: -SIDBI Report

Graph – 5.14



SIDBI assistance to Gujarat statement Rs. in crore the form of sanction and disbursement was depicted in the **T**able No.5.14. The sanction amount was 698.20 crores in 1999-2000, which was increased to 1193.70 crores in 2000-0. The sanction amount declined to 975.40 crores in 2001-02 and 823.60 crores in 823.60 crores in 2002-03. The amount declined to 623.60 crores in 2003-04 and the cumulative amount was 9657.10 crores. The index of sanction was 100 percent in the base year and then the index was 170.97 percent, which was increased 70.97 percent to the base year. The index was 139.70 percent in 2001-02, which was also showed 39.70 percent increment to the base year. The index was 89.32 percent, which was below the base year. The disbursement amount was 417.40 crores in 1999-2000 and 716.10 crores in 2000-01 and it declined to 574.40 crores in 2001-02. The disbursement amount was 542.30 crores in 2002-03 and it declined to 287 crores in 2003-04. The cumulative amount was 6034.80 crores. The index was 100 percent, which was 102.56 percent. The index of disbursement amount was 82.27 percent in 2001-02 and 77.67 percent was 2002-03. The disbursement amount was 41.11 percent in2003-04. The highest index was found of 102.56 percent in 2000-01 and lowest index was found in 41.11 percent in 2003-04.

5.4 SECTOR-WISE ASSISTANCE TO GUJARAT STATE: -

Table - 5.15

SECTOR-WISE ASSISTANCE SANCTIONED AND DISBURSED

(Rs. crore)

Sector	Sanctions					Disbursements				
	1999-2000	2000-01	2001-02	2002-03	2003-04	1999-2000	2000-01	2001-02	2002-03	2003-04
1. Public	85.1	645.2	726.7	476.4	1186.6	510.2	364.5	967.5	304.5	569.4
2. Joint	61.7	57.6	24.3	15.7	100.0	56.7	58.4	15.2	24.0	1.0
3. Co-operative	65.4	51.8	42.6	57.5	61.7	68.9	47.2	18.3	38.7	52.4
4. Private	3735.1	3306.5	1980.9	1731.4	1688.9	3103.4	2624.1	1271.2	1338.9	1294.5
5. Trust	201.2	35.3	534.0	223.7	40.9	163.3	48.6	28.5	56.8	51.7
Total	**4914.5**	**4096.4**	**3308.5**	**2504.7**	**3078.1**	**3902.5**	**3142.8**	**2300.7**	**1762.9**	**1969.0**

Source: -SIDBI Report

Table – 5.15 showed a sector wise assistance sanctioned and disbursed by SIDBI. The SIDBI has sanctioned and disbursed assistance in major five sectors like Public, Joint, Co-operative, Private and Trust. During the period of the study the SIDBI has sanctioned a total amount to all sectors was Rs. 52045.6 crores and the total disbursement amount was Rs. 39711.5 crores to all the sectors. While the SIDBI has sanctioned and disburse total assistance during the period of 1999-2000 to 2003-04 were Rs. 8700.8 crore and Rs. 5574.0 crore respectively. In joint sector SIDBI has total amount sanctioned during the period was Rs. 321.9 crores and actual disbursement was Rs. 166.8 crore which is the half amount of the sanctioned amount. While in the co-operative sectors the SIDBI has sanctioned Rs. 369.4 crore and disburse Rs. 258.0 crore only. The figure of table shows that SIDBI has sanctioned and disburse maximum amount towards the private sector and the amount were Rs. 41443.1 crore and Rs. 33224.1 crore respectively. While in the Trust the sanctioned amount of SIDBI was Rs. 1210.4 crore and actual amount of SIDBI has disbursed during the study period of 1999-2000 to 2003-04 was Rs. 488.6 crore only, which was 40% of sanction amount.

5.5 PURPOSE-WISE ASSISTANCE TO GUJARAT STATE: -

Table – 5.16

PURPOSE-WISE ASSISTANCE SANCTIONED AND DISBURSED

(Rs. crore)

Purpose	Sanctions					Disbursements				
	1999-2000	2000-01	2001-02	2002-03	2003-04	1999-2000	2000-01	2001-02	2002-03	2003-04
1. New	2047.7	1740.5	1289.3	874.3	983.4	1481.5	1193.2	712.2	533	336.7
2. Expansion/ diversification/acquisition	296.9	194.1	138.4	162.1	365.9	241.3	145.7	87.8	116.1	102.4
3. Modernisation/ balancing equipment	464.5	450	337.5	266.5	140.8	371	294.1	212.5	161.1	70.4
4. Rehabilitation	17.5	30.9	15.7	21.7	0.5	11.6	22.1	16.8	18.5	-
5. Working capital	93.1	56.6	14.4	50.6	127.1	56.2	2.8	2.1	37.5	60.1
6. Others Total	1994.8	1624.3	1513.2	1129.5	1460.4	1740.9	1484.9	1269.3	896.7	1399.4
Total	**4914.5**	**4096.4**	**3308.5**	**2504.7**	**3078.1**	**3902.5**	**3142.8**	**2300.7**	**1762.9**	**1 969.0**

Source: -SIDBI Report

Table – 5.16 shows a purpose wise assistance sanctioned and disbursed by the SIDBI during the period of 1999-2000 to 2003-04. The SIDBI has sanctioned its assistance for New Projects, Expansion/ diversification /acquisition, Modernisation/ balancing equipment, Rehabilitation, Working capital and for other projects. The trends of total amount sanctioned by SIDBI on all projects indicate fluctuating trends. In the year 1999-2000 SIDBI has sanctioned Rs. 4914.5 crore and with decreasing trend it reached at Rs.2504.7 crore and then it increase and reached Rs. 3078.1 crore and total amount sanction by SIDBI during the period of 1999-2000 and 2003-04 was Rs. 52045.6 crore. While on other hand in disbursement amount of SIDBI's trends also showed a same pattern, which was in sanctioned amount. SIDBI has disbursed Rs. 3902.5 crore in 1999-2000 and with ups and down it reached at Rs. 1969.0 crore in the year 2003-04. The total disbursement by SIBI was Rs. 39711.5 core. The SIDBI has sanctioned total amount of for the period of 1999-2000 to 2003-04, Rs. 24703.1 crore, Rs. 3540.8 crore, Rs. 3999.6 crore, Rs. 155.9 crore, Rs. 506.7 crore, and Rs. 19139.5 crore towards New Projects, Expansion/ diversification/ acquisition, Modernisation/ balancing equipment, Rehabilitation, Working capital and for other projects respectively. While the SIDBI has disbursed total amount for the period of 1999-2000 to 2003-04 Rs. 18114.1 crore, Rs. 2244.3 crore, Rs. 2830.2, Rs. 105.9 crore, Rs. 169.6 crore towards New Projects.

Expansion/diversification/acquisition, Modernisation/ balancing equipment, Rehabilitation, Working capital and for other projects respectively. Looking to the table it is clear that SIDBI has given more emphasized on the development of the new projects.

5.6 INSTITUTION-WISE REFINANCE ASSISTANCE TO GUJARAT STATE: -

Table – 5.17

INSTITUTION-WISE REFINANCE ASSISTANCE SANCTIONED AND DISBURSED (Rs. crore)

Institution	Sanctions					Disbursements				
	1999-2000	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**1999-2000**	**2000-01**	**2001-02**	**2002-03**	**2003-04**
1 SFCs	1252.8	1302.4	1050.5	749.9	518.8	960.7	902.1	813.5	580.2	416.3
2. SIDCs	293.3	191.9	73.0	18.4	6.2	247.1	171.9	63.6	16.4	5.6
3. Co-operative Banks	557.5	471.7	160.7	51.4	47.1	526.4	404.8	145.4	45.5	44.2
Total	**2103.6**	**1966.0**	**1284.2**	**819.7**	**572.1**	**1734.2**	**1478.8**	**1022.5**	**642.1**	**466.1**

Source: -SIDBI Report

Table – 5.17 shows an institute wise refinance assistance sanctioned and disbursed by the SIDBI during the period of the 1999-2000 to 2003-04. The trends of refinance assistance sanctioned by SIDBI showed declining. In the year 1999-2000 SIDBI has sanctioned Rs. 2103.6 crore in 1999-2000 and with continuous declining trends it stopped with Rs. 572.1 crore in the year 2003-04. Total amount sanctioned by SIDBI during the period was Rs. 26623.7 crore. The disbursement amount trends in refinance assistance of SIDBI also showed declining trends. In the year 1999-2000 SIDBI disbursed Rs. 1734.2 crore and with sharp declining trends during the entire study period it reached at Rs. 466.1 crore in the year 2003-04.

The total amount disbursed by the SIDBI during the study period was Rs. 20870.5 crore. SIDBI has sanctioned refinance assistance to the SFCs, SIDCs and Commercial/State Co-operative Banks. The SIDBI has sanctioned total refinance assistance to SFCs, SIDCs and Commercial/State Co-operative Banks during the period of 1999-2000 to 2003-04 were Rs. 15287.2 crore, Rs. 2015.0 crore, and Rs. 9321.5 crore respectively.

While on other hand SIDBI has disbursed refinance assistance towards SFCs, SIDCs and Commercial/State Co-operative Banks. The SIDBI has sanctioned total refinance assistance to SFCs, SIDCs and Commercial/State Co-operative Banks during the period of 1999-2000 to 2003-04 were Rs. 10635.1, Rs. 1506.4 crore and Rs. 8729.0 crore respectively.

5.7 ASSISTANCE TO SSIs AND SRTOs THROUGH SFCs / SIDCs / COMMERCIAL BANKS / STATE CO-OPERATIVE BANKS: -

Table - 5. 18

ASSISTANCE SANCTIONED AND DISBURSED TO SSIs AND SRTOs THROUGH SFCs/SIDCs/COMMERCIAL BANKS/STATE CO-OPERATIVE BANKS (Rs. crore)

Sector	Sanctions					Disbursements				
	1999-2000	2000-01	2001-02	2002-03	2003-04	1999-2000	2000-01	2001-02	2002-03	2003-04
1 SSIs	1871.8	1757.1	1190.1	800.4	550.2	1522.0	1304.2	934.4	625.1	445.4
2. SRTOs	231.8	208.9	94.1	19.3	21.9	212.2	174.6	88.1	17	20.7
Total	**2103.6**	**1966.0**	**1284.2**	**819.7**	**572.1**	**1734.2**	**1478.8**	**1022.5**	**642.1**	**466.1**

Source: -SIDBI Report

Table – 5.18 shows a SIDBI's assistance sanctioned and disbursed to SSIs and SRTOs through SFCs / SIDCs / Commercial Banks and State Co-operative banks. The total assistance sanctioned by SIDBI through SSIs and SRTOs to SFCs / SIDCs / Commercial Banks and State Co-operative banks trends shows declining trends during the entire study period. The SIDBI has sanctioned Rs. 2103.6 crore in 1999-2000 and with declining trends it stopped at Rs. 572.1 crore in the year 2003-04. During the period of 1999-2000 to 2003-04 SIDBI has sanctioned total amount Rs. 26623.7 crore with Rs. 21597.1 crore through SSIs and Rs. 5026.6 crore with SRTOs.

The total assistance disbursed by SIDBI through SSIs and SRTOs to SFCs / SIDCs / Commercial Banks and State Co-operative banks trends shows declining trends during the entire study period. The SIDBI has disbursed Rs. 1734.2 crore in 1999-2000 and with declining trends it stopped at Rs. 466.1 crore in the year 2003-04. During the period of 1999-2000 to 2003-04 SIDBI has sanctioned total amount Rs. 20870.5 crore with Rs. 16065.1 crore through SSIs and Rs. 4805.4 crore with SRTOs.

5.8 REGIONAL DISTRIBUTION OF SIDBI's CUMULA ASSISTANCE: -

Regional Distribution of Assistance: -

While ensuring a faster rate of growth for the SSI sector as a whole, reduction and removal of regional disparities has also been one of the important objectives of SIDBI's development strategy for the SSI sector. SIDBI's overall network has been divided into 5 different regions viz. Eastern, North Eastern, Northern, and Southern and Western Region. So as to provide due to attention to different regions in the country, the respective Regional offices of SIDBI evolve suitable strategies and take necessary steps for increasing the flow of assistance in respect of the States falling within their jurisdiction in consultation with the Head Office. To provide advisory assistance in suggesting suitable policy measures for growth and development of the respective region, SIDBI has constituted five Regional Advisory Committees and a National Advisory Committee at the apex level.

Table 5.19

Regional Distribution of SIDBI's Assistance

Region Cumulative assistance during 1990-91 to 2003-04

	Assistance (Rs. million)	Percentage sharein total Assistance	Assistance (Rs. million)	Percentage sharein total Assistance
EASTERN	28,267.70	6.87	21,648.40	7.05
NORTH EASTERN	2,123.60	0.52	1,815.10	0.59
NORTHERN	113,587.00	27.61	84,112.80	27.41
SOUTHERN	127,991.30	31.12	99,363.50	32.38
WESTERN	139,364.80	33.88	99,961.80	32.57
TOTAL	**411,334.40**	**100**	**306,901.60**	**100**

Source: SIDBI Annual Reports

Note: Sanctions* Disbursements*

The figures pertaining to sanctions and disbursements exclude resource support to factoring & venture capital companies, NSIC, OTCEI operations, STL to Banks and P & D sanctions/disbursements at H.O., Lucknow which cannot be specifically allocated to a particular region. The cumulative assistance comprise Rs. 40,103.2 million of sanctions and Rs. 22,968.5 million of disbursements for the period 1990-2004.

A region-wise distribution of cumulative assistance of SIDBI since inception is given in the Table 5.9 and graphically depicted in Graph 5.1 and 5.2. Graph – 5.10 and Graph - 5.11

5.9 CONCLUSION: -

It is clear from the above analysis SDIBI provides various assistance to in the various form to the small-scale industry.

References: -

- Annual Reports of SIDBI
- SIDBI Report on Small Scale Industries
- www.sidbi.com

CHAPTER – 6

ANALYSIS OF PROMOTIONAL AND DEVELOPMENTAL ACTIVITIES OF SIDBI

6.1 SIDBI ASSISTANCE FOR PROMOTIONAL AND DEVELOPMENTAL ACTIVITIES: -

Objective: -

As an apex financial institution for promotion, financing and development of industry in the small-scale sector, SIDBI meets the varied developmental needs of the Indian SSI sector by its wide-ranging Promotional and Developmental (P&D) activities.

P&D initiatives of the Bank aim at improving the inherent strength of small-scale sector on one hand as also economic development of poor through promotion of micro-enterprises.

Table – 6.1

SIDBI Assistance for Promotional and Developmental Activities

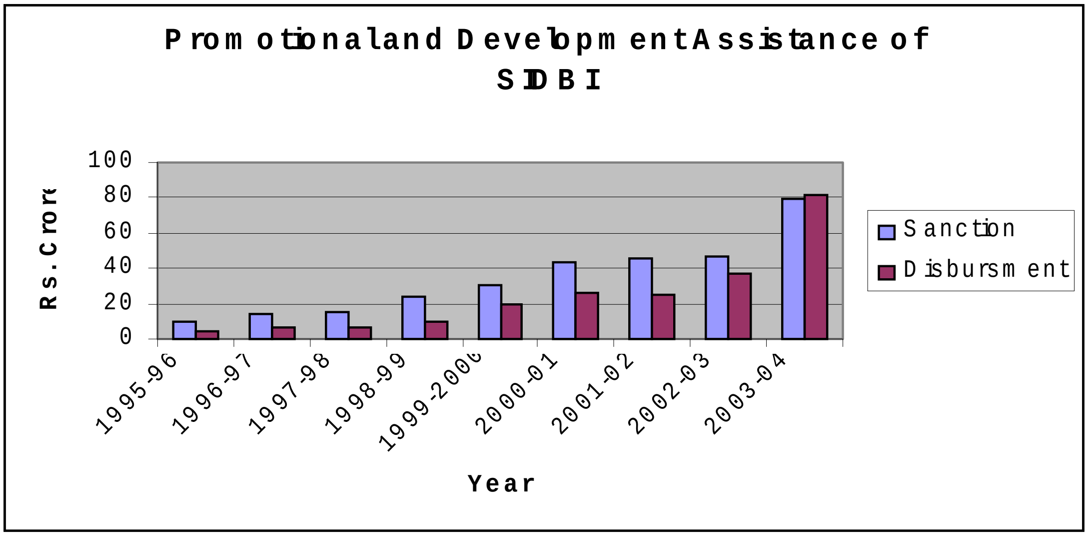
Rs. In Crores

Year	Sanction	Growth Rate (%)	Disbursement	Growth Rate (%)
1995-96	9.9	-	4.71	-
1996-97	13.61	37.47	6.79	44.16
1997-98	15.24	11.98	6.19	-8.84
1998-99	23.65	55.18	9.39	51.70
1999-2000	30.13	27.40	19.05	102.88
2000-01	44.02	46.10	25.79	35.38
2001-02	45.7	3.82	25.26	-2.06
2002-03	46.36	1.44	37.04	46.63
2003-04	79	70.41	80.99	118.66

Source: -SIDBI Report SSIs

The SIDBI assistance for promotional and development amount of sanction and disbursement was presented in the above **T**able No.6.1 The amount was 9.9 crores in 1995-96 and it was 13.61 crores in 1996-97. The amount rose to 15.24 crores in 1997-98 and it then went up to 23.65 crores in 1998-99 and 30.13 crores in 1999-2000 and 44.02 crores in 2000-01. The sanction amount was 45.70 crores in 2001-02 and the amount was 46.36 crores in 2002-03. The sanction amount was 79 crores in 2003-04. The highest sanction amount was 46.36 crores in 2002-03 and the lowest amount was 9.9 crores in 1995-96. The growth rate was 37.47 percent in 1996-97 and 11.98 percent in 1997-98. The growth rate was then increased to 55.18 percent in 1998-99 and it declined to 27.40 percent in 1999-2000. The growth rate was 46.10 percent in 2000-01but it was 3.82 percent in 2001-02 and 1.44 percent in 2002-03, which were very less then the previous year. The growth rate was 70.41 percent in 2003-04.which was the highest growth rate and the lowest growth rate 1.44 percent in 2002-03.The disbursement amount was 4.71 crores in 1995-96 and 6.79 percent in 1996-97. The amount was slightly decreased to 6.19 crores in 1997-98. The disbursement amount then increased and rose to 9.39 crores in 1997-98 and 19.05 crores in 1998-99. The amount was 25.79 crores in 2000-01 and 25.26 crores in 2001-02. The disbursement amount was 37.04 crores in 2002-03. The disbursement amount was 80.99 crores in 2003-04, which was the highest disbursement amount, and lowest amount was 4.71 crores in 1995-96. The growth rate was 44.16 percent was 1996-97 and it was minus 8.84 percent in 1997-98. The disbursement growth rate was 51.70 percent 1998-99. The growth rate 102.88 percent 1999-2000 and the growth rate was 35.28 percent in 2000-01. The growth rate was minus 2.06 percent in 2001-02. The growth then increased and reached to 46.63 percent in 2002-03 and it was 118.66 percent in 2003-04, which was the highest growth rate.

Graph – 6.1



In pursuance of its multifaceted P&D activity, synergistic with its business activities aimed at development of the small industries, SIDBI looks forward to a partnership with NGOs, associate financial institutions, corporate bodies, R&D laboratories, marketing agencies, etc., for national level programmes.

For promotion and development of small scale industries, SIDBI operates a number of schemes and programmes for enterprise promotion, especially by women entrepreneurs, micro credit, human resource development, technology upgradation, management development, marketing, information dissemination, etc. Under these schemes, SIDBI extends developmental and support services in the form of loans and grants to different agencies working for the promotion and development of SSIs and tiny industries. Over the years, the initiatives of SIDBI under promotional and developmental activities have crystallised into following thrust areas viz.,

A. Mahila Udhyam Nidhi
B. Enterprise Promotion with emphasis on Rural Industrialisation
C. Mahila Udhyam Mitra
D. Mahila Vikash Nidhi
E. Entrepreneurship Development Programme
F. Management Development Programme

G. Small Industries Management Programme

H. Small Skill-Cum-Technology Upgradation Programme

I. Technology Upgradation Programme

J. Quality and Environment Management

K. Fixed Deposit Scheme

SIDBI has identified the following thrust areas of P&D activities, which are being undertaken in partnership with various institutions, agencies, and NGOs:

6.2 ANALYSIS OF SCHEMES OF SIDBI: -

(A) Mahila Udyam Nidhi (MUN): -

Purpose: -To meet gap in equity.

Eligible Borrowers: -

Women entrepreneurs for setting up new projects in tiny / small-scale sector and rehabilitation of viable sick SSI units. Existing tiny and small scale industrial units & service enterprises [tiny enterprises would include all industrial units and service industries (except Road Transport Operators) satisfying the investment ceiling prescribed for tiny enterprises] undertaking expansion, modernisation technology upgradation & diversification can also be considered.

Norms: -

- ❖ Scheme operated through SFCs / twin function SIDCs / Scheduled Commercial Banks / Select Urban Co-operative Banks
- ❖ Cost of Project - Not to exceed Rs.1 million
- ❖ Soft Loan limit - 25% of cost of Project subject to a maximum of Rs.2, 50,000 per project.
- ❖ Service charges - 1% p.a. on soft loan

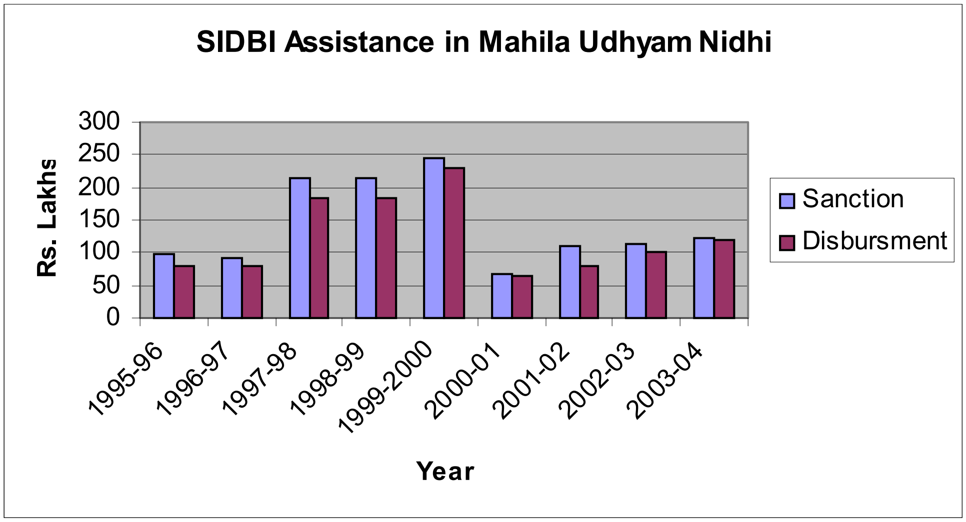
Table – 6.2

SIDBI Assistance in Mahila Udhyam Nidhi Rs. In Lakhs

Source: -SIDBI Report SSIs

Year	Sanction	Growth Rate (%)	Disbursement	Growth Rate (%)
1995-96	99.08	-	78.21	-
1996-97	90.58	-8.58	80.03	2.33
1997-98	214.53	136.84	182.93	128.58
1998-99	212.96	-0.73	184.5	0.86
1999-2000	244.01	14.58	230.79	25.09
2000-01	67.21	-72.46	63.25	-72.59
2001-02	109.03	62.22	78.4	23.95
2002-03	112.2	2.91	102.34	30.54
2003-04	121.36	8.16	118.6	15.89

Graph – 6.2



The assistance in mahila udhyam nidhi in the form of sanction and disbursement amount was shown in the above **T**able No.6.2 The sanction amount was 99.08 lakhs 1995-96 and then it declined to 90.58 lakhs in 1996-97. The sanction amount raised 214.53 lakhs in 1997-98 and then slightly declined to 212.96 percent in 1998-99. The sanction amount was 244.01 lakhs in 1999-2000 and then the amount was 67.21 lakhs in 2000-01. The sanction amount was 109.03 lakhs in 2001-02 and then it rose to 112.20 lakhs. The sanction amount was 121.36 lakhs in 2003-04. The growth rate was minus 8.58 percent in 1996-97, which was very less than the previous year. The growth rate was 136.84 percent in 1997-98 and it then declined to minus 0.73 percent. The growth rate was 14.58 percent in 1999-2000.The growth rates was minus 72.46 percent in 2000-01. The growth rate then rose to 62.22 percent in 2001-01. The growth rate was 2.91 percent in 2002-03 and 8.16 percent in 2003-04. The disbursement amount was 78.21 lakhs in 1995-96 and 80.03 lakhs in 1996-97. The disbursement amount was rose to 182.93 lakhs in 1997-98 and 184.50 lakhs in 1998-99. The disbursement amount was also increased to 230.79 lakhs in 1999-2000.The disbursement amount went down to 63.25 lakhs in 2000-01 and then slightly rose to 78.40 lakhs in 2001-02 and 102.34 lakhs in 2002-03. The amount was 118.60 lakhs in 2003-04. The growth rate of disbursement amount was 2.33

percent in 1996-97 and it was 128.58 percent in1997-98. The growth rate was 0.86 percent was 25.09 percent in 1999-2000 and it was minus 72.59 percent in 2000-01. The disbursement amount' growth rate was 23.95 percent in 2001-02 and 30.54 percent in 2002-03.The growth rate 15.89 percent was 2003-04. The highest growth rate was 128.58 percent in 1997-98 and the lowest growth rate was minus 72.59 percent in 2000-01.

(B) Rural Industries Programme (RIP): -

Introduction: -

A unique approach for rural industrialisation where the emphasis is on stimulating and helping the potential entrepreneurs to set up small enterprises through consultancy outfit positioned by SIDBI.

Objective: -

Development of viable and self-sustaining tiny / small enterprises in rural and semi urban India by harnessing local entrepreneurial talent. The Programme attempts to address the problems such as rural unemployment, urban migration and under-utilisation of local skills and resources, and is designed as a comprehensive Business Development Services programme.

The Rural Industries Programme (RIP) of the Bank provides a cohesive and integrated package of basic inputs like information, motivation, training and credit, backed by appropriate technology and market linkages for the purpose of enterprise promotion.

Approach: -

Development of underdeveloped areas: -

Under RIP, an economically underdeveloped district is identified and an Implementing Agency (IA) Development professionals, Technical consultancy organisaion or Non- Government organisation is positioned to provide a comprehensive and integrated package of inputs and business development services to potential entrepreneurs. The identified IA positions a team of professionals at the field level for a period of five year. IA also provides support during post implementation period to ensure sustainability of enterprises.

Integrated approach: -

The package of services provided by IA, inter alia, includes identifying and motivating rural entrepreneurs, identification of viable ventures based on local skills and resources, training, appropriate technology linkages and finance tie-up with the formal banking sector.

Performance Oriented incentives: -

Entreprises are grounded on technological and economic considerations. No subsidies or grants are available to entrepreneurs. Besides start-up administrative support, IA is paid performance fee in the range of Rs. 2000 to Rs. 6000 per unit promoted, depending on project size.

Long term viability and sustainability of the enterprises promoted is an important aspect of RIP. New enterprises require continued support, at least for the first year of their operations. Therefore, an amount of Rs. 1,000 per unit is payable to the IAs by way of post-sanction incentive over and above the initial performance fee for providing escort services to the assisted entrepreneurs and post-sanction work.

A sub-sectoral approach is followed to enable the implementing agencies to provide necessary backward and forward linkages to the enterprises.

Monitoring and Management support: -

Services of independent professional agencies - Regional Development Cells (RDCs) are outsourced for monitoring, Identification of new IAs, Promote and transfer new project ideas based on appropriate rural technologies in association with R&D Laboartories and specialised institutions, provide marketing linkages, provide technical and managerial services to IAs, half yearly visits to agencies - at least 10% of the end beneficiaries to be visited and submit quarterly reports to SIDBI.

To bring about qualitative improvement in the programme implementation, a centralised Team for RIP, specially charged with the responsibility of strengthening the technology content of enterprises promoted under RIP, has been positioned.

Marketing support: -

Entrepreneurs are supported for group participation in domestic trade fairs and exhibition cum sale.

Evaluation: -

- ❖ RIP, over a period has evolved into a very penetrating, cost effective and impact-making intervention as brought out in the evaluation exercise conducted by National Institute of Rural Development, Hyderabad.
- ❖ Higher employment generation - average employment per enterprise promoted is 4.70 persons i.e. a total employment of over 44000.
- ❖ Cost-effectiveness - the cost per employment generated works out to Rs.1, 096.
- ❖ Entrepreneurial competence - Focus is on entrepreneurial competence of rural poor rather their social status.
- ❖ Social enlistment & Poverty reduction - 59.35% of the Entrepreneurs are from Socially / Economically vulnerable sections.

- Low Development cost - Cost per enterprise promoted works out to Rs. 5,100
- Investment catalysed - Project outlay of Rs. 48,000 per enterprise.
- Women empowerment - 13 % of projects set-up by women entrepreneurs.
- Sectoral break-up - Manufacturing and service enterprises constituted 67% and 33% of the units respectively.

Progress: -

Upto March 2003, the programme was in progress in 62 districts of 24 states through 32 implementing agencies. Cumulatively, around 10,800 enterprises have been promoted under RIP including around 2,350 units promoted during the FY 2002-03.

International Recognition: -

SIDBI's efforts in this direction have been internationally recognised and the RIP has bagged the prestigious "ADFIAP Development Awards 2003" given by the "Association of Development Finance Institutions in Asia and Pacific" (ADFIAP) under the Countryside Development category. The award was received by Shri A. Vikraman, CGM, SIDBI, H.O. from Shri Anothai Techamontrikul, Chairman, ADFIAP at the Annual Conference of ADFIAP held at Ulanbatar, Mangolia in September 2003.

The RIP has emerged as a comprehensive programme generating employment for rural poor in industrially backward areas by grounding of entreprises on techno-economic considerations rather than grants / subsidy related considerations. Professtional support is provided in identifying ventures, linking them with formal banking channel after due appraisal, providing escort services at each stage from inception of project with emphasis on technology transfer and long term sustainability. In the coming years, the programme is proposed to be extended to about 100 districts with a view to making it a national programme for mass employment.

(C) Mahila Udyam Mitra (MUM): -

Mahila Udyam Mitra (MUM) is a variant of RIP, which targets promotion of micro enterprises by women entrepreneurs. The programme was test launched in Andhra Pradesh in end 1994 with APITCO as the IA. The programme has met with success in Andhra Pradesh and has led to grounding of 2037 enterprises by women entrepreneurs as on March 31,2003. The success has prompted the Bank to extend the intervention to Kerala with APITCO continuing as the IA. The programme has resulted in promotion of 150 enterprises by women in Kerala.

(D) Mahila Vikas Nidhi (MVN): -

SIDBI has designed a special fund, i.e., the Mahila Vikas Nidhi (MVN) specifically aiming at the economic development of women. The fund purports to empower women economically, especially the rural poor, by providing them training and employment opportunities by the creation of infrastructural facilities and training centres. The initiative of SIDBI under Mahila Vikas Nidhi involves the setting up of Training-cum-Production Centres (TPCs). A judicious mix of loan and grant is extended to accredited NGOs for this purpose. In addition, activities like vocational training, strengthening of marketing infrastructure for the products of the beneficiary group, arrangements for the supply of improved inputs, production and technology improvement are also covered under the MVN Scheme. Activities such as sericulture, spinning, weaving, knitting, embroidery, coir products, block printing, handloom, bamboo products, handicrafts, bakery products, shoe making, etc. are undertaken in the TPCs set up by NGOs under MVN.

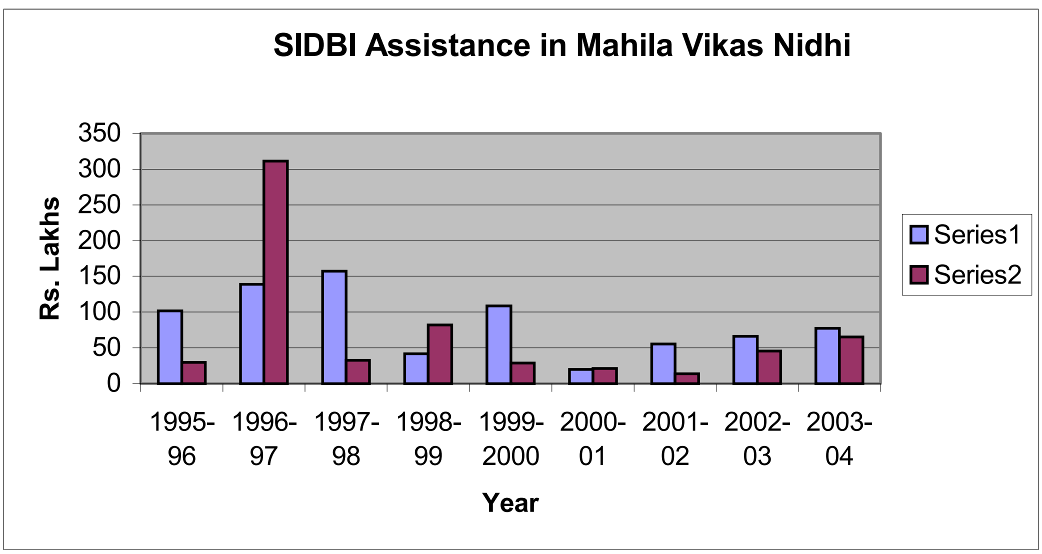
Table – 6.3

SIDBI Assistance in Mahila Vikas Nidhi Rs. In Lakhs

Year	Sanction	Growth Rate (%)	Disbursement	Growth Rate (%)
1995-96	101.84	-	29.9	-
1996-97	138.71	36.20	310.99	940.10
1997-98	157.46	13.52	32.91	-89.42
1998-99	41.89	-73.40	82.18	149.71
1999-2000	108.48	158.96	29.09	-64.60
2000-01	20.03	-81.54	21.29	-26.81
2001-02	55.65	177.83	13.78	-35.27
2002-03	65.87	18.36	45.87	232.87
2003-04	77.23	17.25	65.21	42.16

Source: -SIDBI Report SSIs

Graph – 6.3



The above **T**able No.6.3 showed sanction and disbursement of SIDBI assistance in MAHIL VIKAS NIDHI. The sanction amount was 101.84 lakhs in 1995-96, which was then 138.71 lakhs in 1996-97. The sanction amount further increased to 157.46 lakhs in 1997-98 but it went down to 41.89 lakhs in 1998-99. The sanction amount rose to 108.48 lakhs in 1999-2000 but it again declined to 20.03 lakhs in 2000-01 and then it increased to 55.65 lakhs in 2001-02, 65.87 lakhs in 2002-03 and 77.23 lakhs in 2003-04. The growth rate of sanction amount was 36.20 percent in 1995-96 that decreased to 13.52 percent in 1997-98. The growth rate was minus 73.40 percent in 1998-99 in this year the sanction grant was low compare to previous year. The sanction grant grown very highly to 158.96 percent in 1999-2000 and then it declined to minus 81.54 percent in 2000-01. The growth rate was 177.83 percent in 2001-02, which was considered to be the highest one. The growth rate was 18.36 percent in 2002-03 and 17.25 percent in 2003-04 percent. Thus the highest growth rate was 177.83 percent in 2001-02 and the lowest growth rate was minus 81.54 percent in 2000-01. The trend of the growth rate was highly fluctuated during the study period. The disbursement amount was 29.90 lakhs in 1995-96, which was highly increased to 310.99 lakhs in 1996-97, but it declined to 32.91 lakhs in 1997-98. The disbursement mount rose to 82.18 lakh in 1998-99 and then it decreased to 29.09 percent in 1999-2000. The disbursement amount was 13.78 lakhs in 2001-02 and it increased and reached to 45.87 lakhs in 2002-03 and 65.21 lakhs in 2003-04. The highest disbursement amount was 310.99 lakhs in 1996-97 and the lowest amount 13.78 was found in 2001-02. The growth rate was 940.10 percent in 1996-97 in compare to base year of 1995-96. The growth rate was minus 89.42 percent in 1997-98 and then it rose to 149.71 percent in 1998-99. The rate was minus 64.60 percent, which indicated the decrease in disbursement amount to previous year. It was also minus 26.81 percent in 2000-01 and 35.27 percent in 2001-02. The growth rate was higher then 232.87 percent in 2002-03 and it was lower 42.16 percent in 2003-04. The highest growth rate was 232.84 percent in 2002-03 and it was the lowest in 89.42 percent in 1997-98.

(E) Entrepreneurship Development Programme (EDP): -

Introduction: -

Entrepreneurship can be developed by training. Towards this end and also to make the Entrepreneurship Development Programmes (EDPs) result-oriented, SIDBI has been supporting suitable agencies to train and guide potential entrepreneurs to set up enterprises.

Building up and nurturing a reservoir of entrepreneurial talent through training, motivation and guidance is the objective of the Bank's Entrepreneurship Development Programmes. EDPs aim at training various target groups in entrepreneurial traits so that they obtain adequate information, motivation and guidance in setting up their own enterprises. In tune with the renewed policy initiatives on rural development, with a shift in emphasis to women and in order to maintain a homogeneous nature of participating groups, EDPs are conducted to cover various target groups such as rural entrepreneurs, women, SC/ST and others. The Bank's strategy for entrepreneurship development involves support to NGOs and specialised agencies for conducting these specially designed programmes. The EDPs are normally of six weeks' duration coupled with proper practical training inputs. Agencies that are specialised in conducting EDPs are: Entrepreneurship Development Institute of India (EDII), Institutes of Entrepreneurship Development (IED), Centre for Entrepreneurship Develpment (CED), and TCOs. NGOs have been supported for conducting the EDPs for specific target groups. A few specialised technical institutes like Central Institute of Plastic Engineering & Technology (CIPET), Rural Technology Institute (RIT) and UP Electronics Corporation have also been extended assistance for the conducting of product-specific EDPs.

Objective: -

EDPs aim at training various target groups in entrepreneurial traits so that they obtain adequate information, motivation and guidance in setting up their own enterprises. In order to maintain a homogeneous nature of participating groups, EDPs focus on rural entrepreneurs, women, SC/ST, etc.

Programme Particulars: -

The EDPs are normally of 4 - 6 weeks duration coupled with proper practical training inputs. Training Agencies specialising in conducting EDPs, Non-Governmental Organisations (NGOs) and specialised technical institutes are extended assistance to conduct product specific EDPs.

In an effort to attract more professional and result oriented institutions into the EDP fold, the Bank has made the scheme more performance oriented by extending reasonable support towards training cost and encouraging the institutions to earn performance fee by grounding units.

Progress: -

Upto March 2001, the Bank has supported a total of 1317 EDPs comprising 654 Rural EDPs, 285 Women's EDP and 378 programmes for other target groups benefiting approximately 27,500 persons.

(F) Management Development Programmes (MDP): -

Introduction: -

Management Development in SSIs has been identified as a crucial area of intervention for the viability, competitiveness and profitability of SSI units especially in the context of present economic transition when the market barriers are gradually being removed. SIDBI took initiative to remedy the short-coming of HRD in SSI sector by launching two programmes namely Small Industries Management Programme (SIMAP) targeted at qualified unemployed as well as industry sponsored candidates to provide low cost and competent managers to SSI units and Skill-cum-Technology Upgradation Programme (STUP) for owners/managers of SSIs.

(I) SMALL INDUSTRIES MANAGEMENT PTOGRAMME: -

Objective: -

The objective of SIMAP is to develop a cadre of industrial managers specifically trained to assist the SSI entrepreneurs in their multiple responsibilities. It also seeks to open up new avenues of productive employment for young graduates who are otherwise not professionally qualified.

Participants: -

This programme is targeted at unemployed non-technical graduates, diploma holders and industry-sponsored participants for management strengthening.

Duration & Contents: -

The programme is conducted in three phases, normally over a period of 14-18 weeks. The first phase consists of classroom sessions for about 5-8 weeks. Inputs essentially cover information, knowledge and skills pertaining to management of the SSI units. This is followed by the second phase of 8 weeks wherein on-the-job practical training is provided in the SSI units. The final phase of 1-2 weeks is basically a refresher / debriefing course before the candidates are awarded their course certificates.

Participants Contribution: -

To ensure involvement of the participants and to obviate drop out at later stages, the participants are required to pay some fee for the course.

(II) SMALL SKILL-CUM-TECHNOLOGY UPGRADATION PROGRAMME: -

Objective: -

The programme is structured to improve the performance of existing SSI units by developing/ strengthening managerial skills and technical competence of the entrepreneurs and senior executives of the small enterprises. It also aims to create awareness amongst the SSI units on process improvements, technological developments etc. and to induce the units to upgrade their technological level.

Participants: -

The programme is designed for homogeneous groups of entrepreneur/ senior executive in terms of the size of the units, owner profile, nature of industry and present financial/working status.

Duration & Contents: -

The duration of the programme is for a period of 2-6 days on full time basis or 4-12 days on part-time basis. The programme content is tailored depending upon the participants and/or the industry group represented by them. Due to the technical nature of the programme, the focus is more on specific aspects or on specialised fields rather than on general management topics.

Participants Contribution: -

The participants are required to pay about one-third of the fee for the course to ensure their involvement.

Corpus Support: -

Institutionalization of these management development programmes has become the major thrust of the Bank, which is expected to provide inputs on a continuous and organised basis in areas considered to be crucial for tapping full potentialities of the SSI sector. The Bank has started extending corpus support to regionally dispersed reputed institutes, which conduct programmes regularly out of the interest income charging reasonable participant fee.

Progress: -

The Bank has, upto March 1999, supported a total of 148 SIMAPs and 529 STUPs. So far 14 institutions have been provided with the Corpus Support.

(III) TECHNOLOGY UPGRADATION PROGRAMMES: -

Introduction: -

The competitiveness of the products of SSI units both in the domestic and international markets is dependent to a large extent on their productivity levels, price factors and quality charachetristics. SIDBI's technology upgardation and modernisation programme is aimed at improving the technical capabilities and competitiveness of SSI units in clusters by introducing commercial proven technologies which will result in significant improvement in quality, productivity, bring about cost reduction, saving of energy and raw materials and reduction in the level of pollution.

Objective: -

SIDBI's efforts broadly aim at:

- ❖ Creation of awareness on new product / process technologies
- ❖ Skill upgradation
- ❖ Development of technology related common facilities for the cluster
- ❖ Provision of unit-specific modernisation package

- Energy conservation and introduction of environment friendly technologies
- Quality upgradation in terms of systems and products

Approach: -

The first step involves the selection of clusters, which have certain homogeneity in terms of status of technology, products, production levels, trade practices, and capacity to absorb improved technology. Individual clusters are then assigned to expert consultancy agencies that assess the technology upgradation needs and prepare unit-specific modernisation packages including scope for consolidation of technical capabilities of existing units.

Funding: -

SIDBI provides support and co-ordinates the services of consultants, and backs up their efforts for arranging financial assistance, through banks or State Financial Corporations (SFCs), under its refinance assistance schemes. The Bank also provides direct financial assistance through its Rs. 2 billion Technology Development and Modernisation Fund (TDMF) scheme. Regular follow-up and monitoring of the programmes is undertaken by the Bank and the implementing agencies are suitably compensated by way of professional fee for undertaking the assignment.

Progress: -

TUP has been launched by the Bank in more than 25 clusters. The clusters identified for intervention range from Sea Food Processing Industry (Coastal Kerala) to Brass and Bell Metal Industry (Hajo in Assam) and from scientific instrument industry (Ambala, Haryana) to artisan based Blacksmithy units at Mylliem, Meghalaya.

In addition to this, the Bank is to implement the National Programme for Rural Industrialisation in 25 clusters of which 12 initiatives are already underway.

Impact Assessment studies in select clusters reveals: -

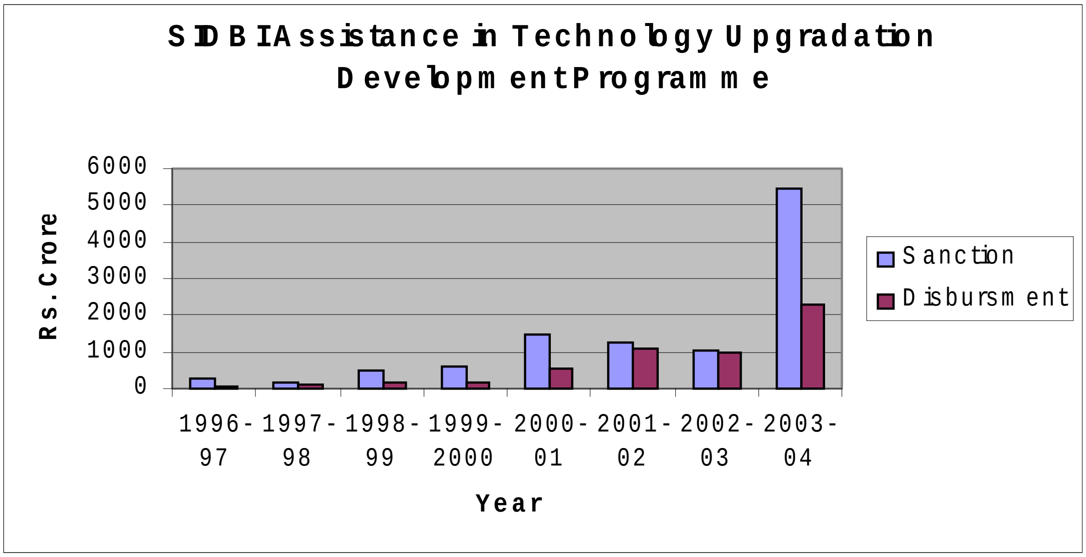
- ❖ Earning of artisans has gone up from Rs.30 to Rs.75 in the Brass and Bell metal industry of Hajo, Assam.
- ❖ Fuel saving of Rs.20, 000 per month per unit achieved by the Foundry units of Howrah, West Bengal.
- ❖ Annual savings of Rs.23 lakh achieved by the units manufacturing Bicycle and Bicycle parts in Ludhiana.
- ❖ Programmes have been found to be cost effective. In the Bicycle cluster at Ludhiana, total grant assistance extended by SIDBI was to the extent of Rs.20.70 Lakh and saving of Rs.150 lakh per annum were achieved by the units. Likewise, in the foundry cluster at Howrah, with grant support of only Rs.2.90 Lakh, saving of Rs.96 lakh per annum have been achieved.

Table – 6.4
Technology Upgradation Development Programme Rs. In Crore

Year	Sanction	Growth Rate (%)	Disbursement	Growth Rate (%)
1996-97	254.2	-	67.4	-
1997-98	154.4	-39.26	130.7	93.92
1998-99	482.1	212.24	153.4	17.37
1999-2000	592.8	22.96	176.8	15.25
2000-01	1483.5	150.25	528.3	198.81
2001-02	1250	-15.74	1080	104.43
2002-03	1045	-16.40	983	-8.98
2003-04	5432	419.81	2291	133.06

Source: -SIDBI Report SSIs

Graph – 6.4



The amount sanction and disbursement for technology and development programme was presented in the above Table. No.6.4 the sanction amount was 254.20 crores in 1996-97 and 154.20 crores in 1997-98 and then it highly increased to 482.10 crores in 1998-99. The amount was also increased to 592.80 crores in 1999-2000 and 1483.50 crores in 2000-01 but it declined and went down to 1250 crores in 2001-02. The amount was 1045 crores in 2002-03 and it was 5432 crores which was the highest sanction amount. The growth rate was minus 39.26 percent in 1997-98 and then it grew to 212.24 over the year. It was only 22.96 percent in 1999-2000. The growth rate was 150.25 percent in 2000-01 and it was very lowest in the years of 2001-02 and 2002-03.In these years the growth rate was minus 15.74 percent and 16.40 percent. The growth rate was 419.81 percent in 2003-04 that was the highest growth rate. The lowest growth rate has been found in minus 39.26 percent in 1997-98. The disbursement amount was 67.40 crores in 1996-97 and the amount was increased to 130.70 crores in 1997-98. The disbursement amount was 153.40 crores in 1998-99 and 176.80 crores in 1999-2000. The disbursement amount was highly increased to 528.30 crores in 2000-01 and 1080 crores in 2001-02. The disbursement amount had gone down to 983 crores in 2002-03. The disbursement amount was the highest of 2291 crores in 2003-04. The growth rate was 93.92 percent in 1997-98 and the growth rate was very less in 1998-99, which was 17.37 percent. The growth rate was 15.25 percent, which was also considered to be low. The growth rate was 198.81 percent in 2000-01 and it was 104.43 percent, which was slightly low then the previous growth. The growth was minus 8.98 percent in 2002-03 and then after it has risen to 133.06 percent. The highest growth rate was found 198.81 percent in 2000-01 and the lowest growth rate was found minus 8.89 percent.

(G) Quality And Environment Management (QEM): -

Introduction: -

SIDBI is giving due emphasis to creating awareness in the SSI sector regarding the need for quality and environment management. Suitable agencies are appointed to create awareness and assist in implementation of unit specific plan.

Objective: -

As the small scale sector has been slow to respond to the importance of quality, the Bank launched a major campaign to organise participative workshops all over the country to sensitise the SSI units about the issue and to create awareness about concepts such as 'Total Quality Management' and 'ISO 9000' as also to assist the SSI units in acquiring ISO-9000 certification by making available to them all the major inputs which are required, viz., expert guidance, escort services and finance.

Approach: -

The approach of the Bank has been to retain associations like FICCI, ASSOCHAM, CII and specialist agencies like TQM International (P) Ltd. and ABC Cunsultants (P) Ltd. employing qualified and experienced lead assessors and auditors to conduct 2-day workshops all over the country with the ultimate objective of identifying units, which could be motivated, persuaded and assisted to achieve ISO-9000 certification. These units are then provided with necessary financial assistance for acquiring ISO-9000 certification.

Funding: -

The funding of the awareness programmes is extended by the Bank with the SSI units paying a token amount as participation fee. For providing escort services to SSI units operating in clusters for achieving certification, the Bank subsidises to a reasonable extent the professional charges of consultants. Besides this, the cluster approach to ISO-9000 certification also reduces the overall expenses of the certification exercise and makes the whole programme affordable for the SSI units.

In addition, the Bank also positions consultancy organisations to provide escort services to SSI units to enable them to acquire ISO-9000 certification.

Table – 6.5

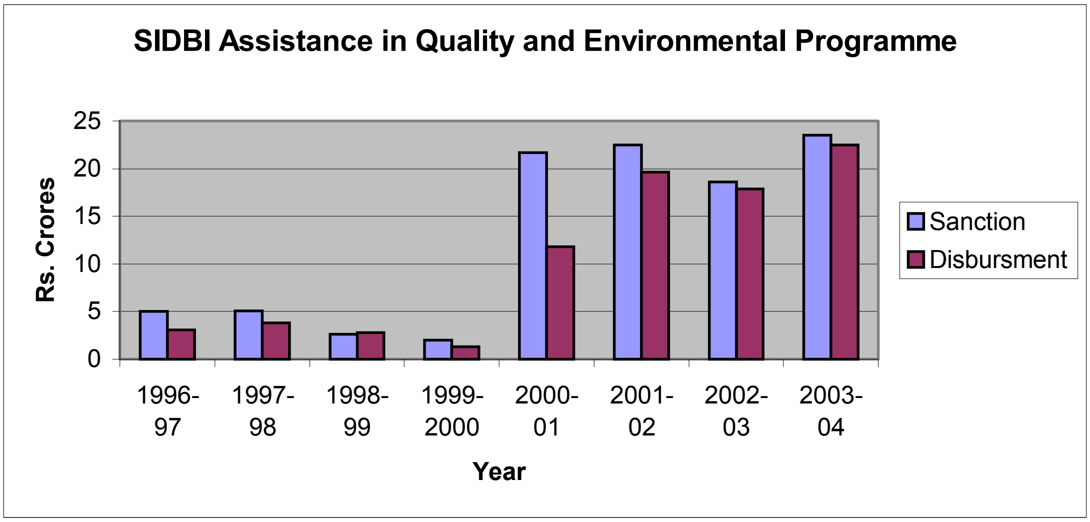
Quality and Environmental Programme

Rs. Crore

Year	Sanction	Growth Rate (%)	Disbursement	Growth Rate (%)
1996-97	5	-	3.1	-
1997-98	5.1	2.00	3.8	22.58
1998-99	2.6	-49.02	2.8	-26.32
1999-2000	2	-23.08	1.3	-53.57
2000-01	21.7	985.00	11.8	807.69
2001-02	22.5	3.69	19.65	66.53
2002-03	18.6	-17.33	17.85	-9.16
2003-04	23.5	26.34	22.47	25.88

Source: -SIDBI Report SSIs

Graph – 6.5



Amount sanction and disbursement for quality and measurement programme was shown in the above **T**able No.6.5 The sanction amount was 5 crores in 196-97 and the sanction amount was fluctuated to 5.10 crores in 1997-98. The amount declined to 2.60 crores in 1998-99 and 2.00 crores in 1999-2000. The sanction amount was 21.70 crores in 2000-01 and 22.50 crores in 2001-02. The sanction amount was 18.60 crores 2002-03 and 23.50 crores in 2003-04 which was the highest amount. The lowest sanction amount was found 2.00 crores in 1999-2000. The growth rate was 2.00 percent in 1997-98 and then it went down to 49.02 percent in 1998-99 and 23.08 percent in 1999-2000. The growth rate was the highest 985.00 percent in 2000-01. The growth rate was 3.69 percent in 2001-02 and the growth rate was minus 17.33 percent in 2002-03. The growth rate was then increased to 26.34 percent in 2003.04. The disbursement amount was 3.10 crores in 1996-97 and 3.80 crores in 1997-98. The disbursement amount then declined to 2.80 crores in 1998-99 and 1.30 crores in 1999-2000.The disbursement amount then increased to 11.80 crores in 2000-01 and 19.65 crores in 2001-02. The disbursement amount was declined to 17.65 crores in 2002-03 but it increased and rose 22.47 crores in 2003-04. The growth rate of disbursement amount was 22.58 percent in 1997-98 over the base year. The growth rate was minus 26.32 percent in 1998-99 and 53.57 percent in

1999-2000. The growth rate was very highest 807.69 percent in 2000-01 and then after it went down to 66.53 percent in 2001-02. The growth rate was minus 9.16 percent in 2002-03. The growth rate was 25.88 percent in 2003-04. The highest growth rate of 807.69 percent was found in 2000-01 and the lowest growth rate of minus 53.57 was found in 1999-2000.

(H) Fixed Deposit Scheme (FDS): -

SIDBI's Fixed Deposit Scheme is rated 'AAA (FD)' by CARE and 'FAAA' by CRISIL indicating highest safety with regard to payment of principal and interest. Salient features of the scheme are given below. The detailed terms of the scheme are enumerated in the application forms which may be obtained from any of the offices of SIDBI.

Schemes

Minimum Deposit@

A.	Cumulative Deposit	Rs. 10,000
B.	Annual income	Rs. 10,000
C.	Quarterly Income	Rs. 10,000
D.	Monthly Income	Rs. 25000

- ❖ Additional amounts in multiples of Rs.1, 000

Eligible Depositors

Resident Individual.	Companies
Minors.	Bodies Corporate
HUFs.	Societies
Partnership firms	Association of Persons

Features: -

Nomination facility available on Single & Joint Deposits by Individuals. Post dated interest warrants payable at par at 27 centres (subject to change), issued for the entire financial year, in advance provided the interest amount payable monthly/quarterly is less than Rs.10, 000/-

Repayment of maturity amount by local cheques at 39 centres (subject to change)

Duration of Deposit: -

The minimum and maximum duration of the deposit is 12 and 60 months respectively. The deposits are accepted for a tenure in multiples of one month only.

Interest Rates: -

The Interest Rate Structure for SIDBI Fixed Deposit Scheme of SIDBI is as under:

Duration (Months)	**Revised Annual Interest Rate %p.a. ***		
	Annual	**Quarterly**	**Monthly**
12 to 23	6.25	6.11	6.08
24 to 35	6.50	6.35	6.31
36 to 60	6.75	6.59	6.55

Higher Interest Rate (0.50%) to Senior Citizens i.e. depositors above the age of 60 years, across maturities. In case of application from senior Citizen (Age 60 years and above), applicants should be requested to furnish the proof of age viz. an attested copy of any one of the following: Ration Card, Passport, Driving License, Voter Identification Card, PAN card, Pension/Service Book, Birth Certificate, School Leaving Certificate, LIC Policy etc. indicating the date of birth, or depositor's status as Senior Citizen.

6.3 MARKET PROMOTION TO SSIs: -

Objective: -

To provide financial assistance to SSI units to undertake various activites necessary to increase their sales turnover in the domestic and export markets.

To finance corporate entities to enable them to provide support services and/or infrastructural facilities to small scale sector to improve its marketing capabilities

Eligible Borrowers: -

Existing SSI units in the small-scale sector with a good track record and sound financial position are eligible for assistance under the scheme. New units could also be considered on a selective basis.

Specialized organizations incorporated as corporate entities and providing marketing assistance, infrastructure and support services to industrial concerns in the small-scale sector.

Purpose: -

Assistance under the scheme may be availed of for undertaking various marketing related activities such as:

- Marketing research.
- R & D, product upgradation and standardization.
- Preparation of strategic marketing plan
- Advertising, branding, catalogue preparation, production of audio-visual aids, etc.
- Participation in trade fairs and exhibitions, undertaking sales promotion tours, etc.

- Establishing distribution network including showrooms/retail outlets and warehousing facilities.
- Training of personnel in activities relevant to marketing etc.
- For setting up new showrooms and/or renovation of existing showrooms for marketing predominantly small scale, cottage and village industry products. Such showrooms could be set up within the country or abroad.
- Development of infrastructure like permanent exhibition centres, industrial parks e.g. garment and software parks, marketing emporia, design and fashion forecasting studios, auction houses (say for floriculture products), container depots and container freight stations and trade centres (within India and abroad) Such infrastructural projects should largely benefit the small scale, cottage and village industries.
- Setting up of facilities for providing marketing support to SSI units, e.g. data bank, libraries, internet services, etc.
- Any other activity directed towards promoting the marketing of SSI products in domestic or international markets.

6.4 CONCLUSION: -

The above analysis indicates that SIDBI provides the various assistance under its promotional and developmental activities. Such assistance will be highly useful to small-scale industries.

References: -

- ❖ Annual Reports of SIDBI
- ❖ SIDBI Report on Small Scale Industries
- ❖ WWW.SIDBI.COM

CHAPTER – 7

ANALYSIS OF FINANCIAL POSITION OF SIDBI

7.1 ANALYSIS OF FINANCIAL POSITION: -

Introduction: -

One of the most important functions of the accounting process is to accumulate and report historical accounting information. The most prominent examples of such reports are the general-purpose financial statements showing an organisational's financial position and results of its operations. These financial tatements are the end result of the process of financial accounting. In the words of Hampton, " A financial statement is an organised collection of data organised according to logical and consistent accounting procedures." Therefore, all the statements and accounting reports which the accountants prepare at the end of a period for a business enterprise may be taken as financial statements. But the principal financial statements are the `balance sheet' and the `profit and loss account'. In the word of Howard and Upton, " Although any formal financial statements expressed in money values might be thought of as financial statements, the term has come to be limited by most accounting and business writers to mean the `balance sheet' and the `profit and loss statements'." The balance sheet states the assets, liabilities and capital of the business and profit and loss statements shows the results of operations achieved during a certain period. These financial statements may be of various types, but according to Miller all the financial statements may be broadly classified in the following manner: -

1. The audited statement
2. The interim statement
3. The unaudited year-end statement
4. The "estimated" statement

Accounting, which is the process of evolution, has three phases: -

(i) The recording of transaction in the books of original entry,

(ii) The classification of these transaction in ledger

(iii) The summarisation of the records. The construction of the financial statement is a part of the third phase of accounting techniques. Thus, financial statements summarised periodical reports of financial and operating data accumulated by an enterprise in its books of accounts. The accounting figures which are collected, tabulated and summarised by accounting methods are presented in financial statements. By nature, therefore, the financial statements are the end products of financial accounting or they are the final repositories of all accounting figures. Financial statements are periodical statements and the period for which they relate is known as accounting period, usually of one year's duration.

In the present study the financial statements of SIDBI has been analyzed through various ratios.

7.2 ASSETS STRUCTURE AND CAPITAL STRUCTURE: -

(A) Assets Structure: -

The term `Assets Structure' refers to the right hand side of the balance sheet. It represented by total capital employed in the business. It covers various fixed and current assets with which the firm is carrying on its business activity.

In other words, it refers to the `make up' of the total assets as represented by fixed and current assets. Assets structure has great importance in the manufacturing and basic industries like cement industry because these industries require large investment in fixed assets, land, buildings and machinery and relatively less receivables and inventories.

(B) Capital Structure: -

The capital structure is used to represent the proportionate relationship between the various long-term forms of financing, such as debentures, long-term debt, preference capital and equity capital, reserves and surplus. The term capital structure is frequently used to indicate the long-term sources of funds employed in a business enterprise. In other words, it can be said that it represents permanent financing of the concern. This is usually measured by subtracting the current liabilities from total assets. Thus, capital structure is the aggregation of Equity Share Capital, General Reserve, Preference Share Capital and Long term Debts.

7.3 ANALYSIS OF LONG TERM AND SHORT TERM FUNDS: -

Long Term Funds & Short Term Funds: -

The financial requirements of a business enterprise consist of kinds of funds viz. Permanent funds or fixed capital and temporary funds or working capital. Permanent funds of a company will comprise of the outlay on the fixed assets of various types, namely land, buildings, plant and machinery and fixtures and fitting etc. The working capital is required for the daily needs such as purchase of raw materials, for the payment of salaries and wages and other daily working expenses. The need of fixed capital is fulfilled by the long-term funds while of the working capital by the both short-term funds and long-term funds. Long-term funds means that fund which is invested in fixed assets. Long-term fund is necessary to buy two

Kinds of assets, which are tangible and intangible assets. Tangible assets are those which can be seen e.g. buildings, land, plant and machinery etc. Intangible assets cannot be seen but they exist in the form of assets. These are preliminary expenses, goodwill, patent and copyrights.

Table – 7.1

Capital/ Assets Structure of SIDBI

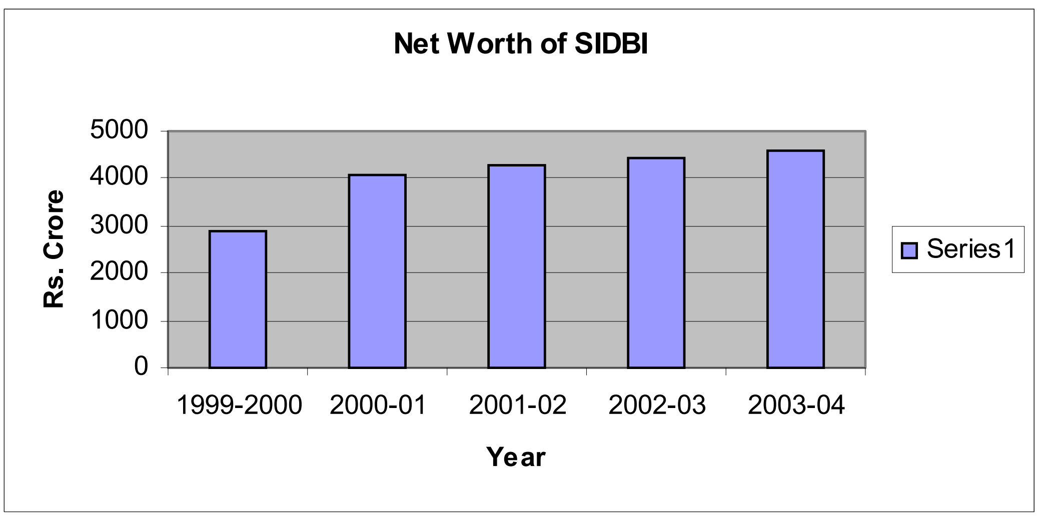
	1999-2000	2000-01	2001-02	2002-03	2003-04	Average	S.D.
Equity Paid Up	450	450	450	450	450	450	0.00
Net worth	2873.79	4061.51	4273.31	4431.12	4592.8	4046.506	684.34
Reserve Funds	2423.8	3611.5	3823.3	3981.1	4142.8	3596.5	684.33
Capital Employed	13630.89	14482.73	14349.19	14038.88	15132.23	14326.78	556.94
Gross Block	172.96	158.82	156.58	162.05	163.12	162.706	6.29
Out Standing Portfolio	15194.3	14570.6	13160	12728.2	10063.9	13143.4	1993.68
Advance / Loans Funds (%)	111.82	116.71	116.01	118.86	104.56	113.592	5.66

Source: -SIDBI Report SSIs

It clear from the above table during the study period the equity capital of SIDBI was Rs. 450 crore. It remains stable during the entire study period and indicates that SIDBI has not raise capital during 1999-2000 to 2003-04 by way of issue of fresh capital.

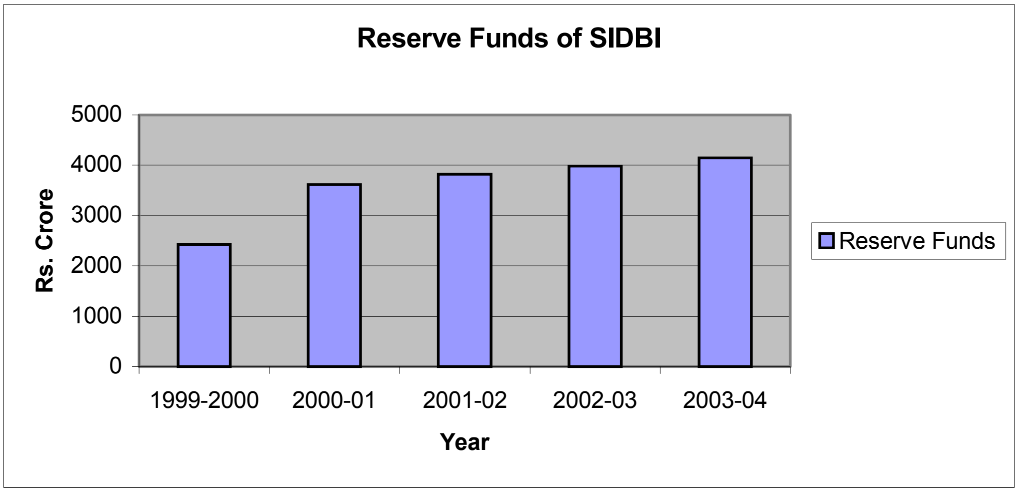
The absolute net worth amount trends of SIDBI showed increasing trends during entire study period. In 1999-2000 total net worth of SIDBI was Rs. 2873.79 crore and with continuous increasing trends it reached at Rs. 4592.8 crore in the year 2003-04. The average net worth amount of study period was Rs. 4046.50. The value of SD is 684.34 indicates a high fluctuation in the amount of net worth.

Graph – 7.1



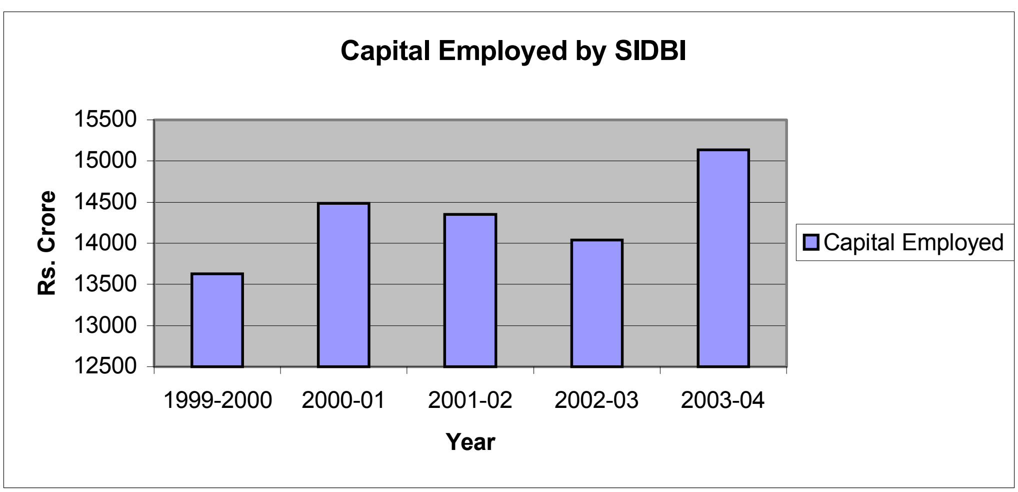
Reserve fund position of the SIDBI presented in the **T**able – 7.1 and it shows an increasing trend during the year 1999-2000 to 2003-04. The absolute amount of reserve funds of SIDBI was Rs. 2423.8 crore in the year 1999-2000 and it stopped with increasing trends at Rs. 4142.8 crore and its average value was 3596.5 crore.

Graph – 7.2



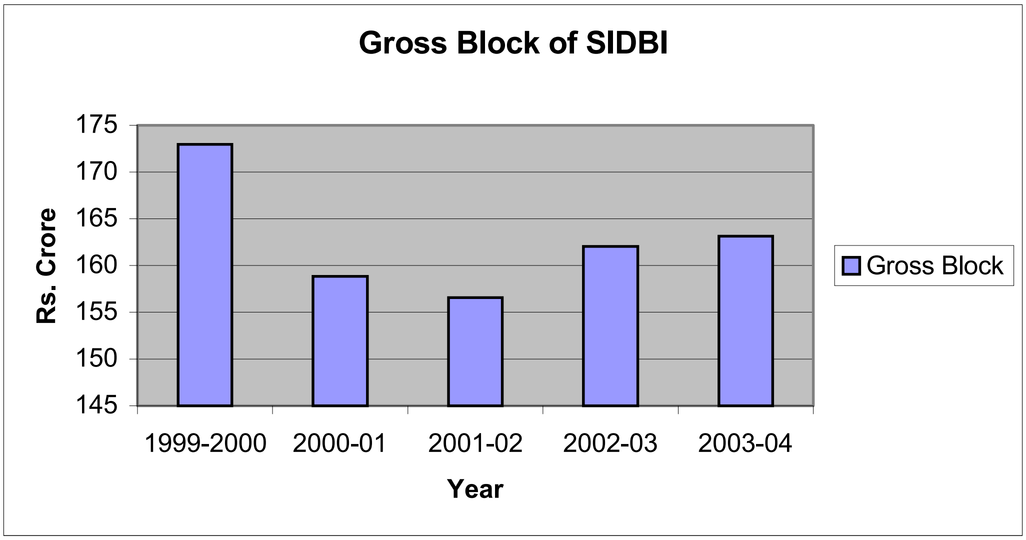
In the tear 1999-2000 the capital employed of SIDBI was Rs. 13630.89 crore and then it increased and reached at Rs. 14482.73 crore in the tear 2000-01 and then with ups and down finally it reached at Rs. 15132.23 crore in the year 2003-04. The average capital employed amount of SIDBI was Rs. 14326.78 crore. The SD value indicates high deviation in the amount of capital employed.

Graph – 7.3



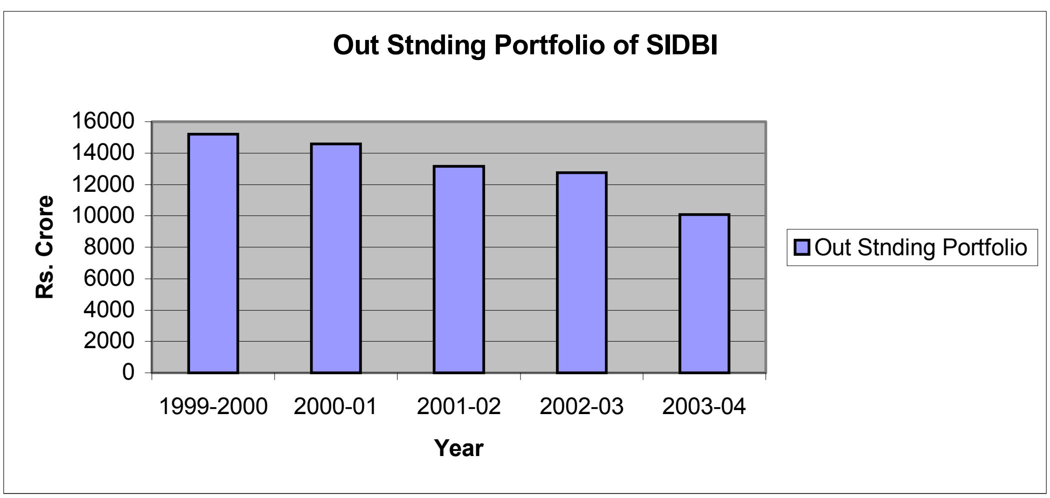
The total amount invested by SIDBI in its total assets is represented in gross block. In the year 1999-2000 the amount of gross block was Rs. 172.96 crore and then it decrease and reached at Rs. 158.82 crore in 2000-01 and then with increasing trend it reached at Rs. 163.12 crore in the year 2003-04. The average value of gross block was Rs. 162.706 crore. The SD indicates a low fluctuation in the amount of gross block of SIDBI.

Graph – 7.4



The basic activity of the SIDBI is to provide the financial assistance to various industries. Table 6.1 shows the out standing portfolio of SIDBI. It is clear from the table the absolute amount of out standing portfolio shows decreasing trends. In the year 1999-2000 the out standing portfolio amount was Rs. 15194.3 crore and with decreasing trends it reached at Rs. 10063.9 crore and its mean value was Rs. 13143.4 crore.

Graph – 7.5



Advances to loans funds ratio presented in the above table. It is reveals from the table that the advances to loan funds ratio was always more than 104% during the entire study period. The average ratio was 113.59%.

7.4 PROFITABILITY ANALYSIS: -

Profitability is the overall measure of the companies with regard to efficient and effective utilization of the resources at their command. It indicates in a nutshell the effectiveness of the decisions taken by the management from time to time. In the present study to measure the profitability of the SIDBI following ratios used.

Table – 7.2

Profitability ratio of SIDBI

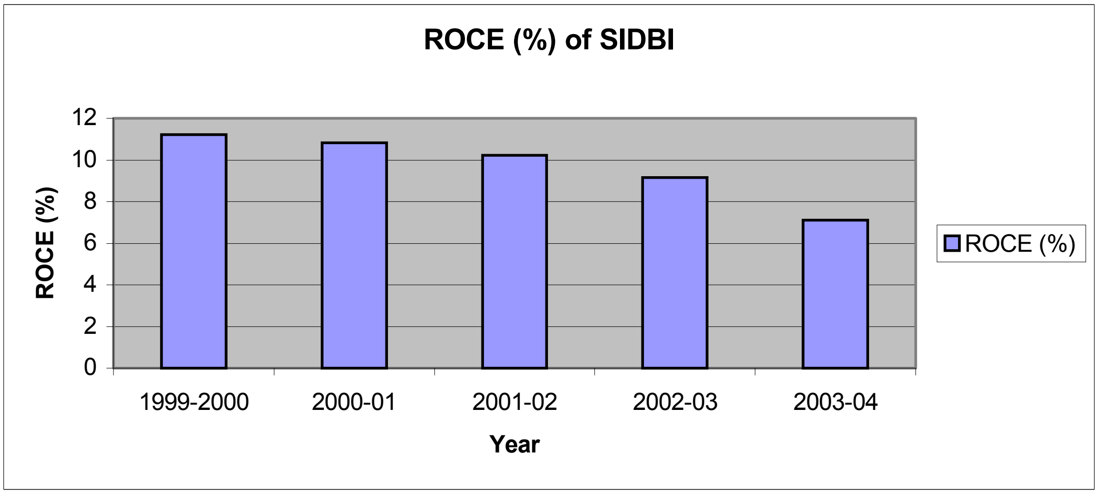
	1999-2000	2000-01	2001-02	2002-03	2003-04	Average	S.D.
ROCE (%)	11.21	10.82	10.23	9.15	7.1	9.702	1.65
RONW (%)	15.44	13.77	6.76	4.76	5.39	9.224	5.00
Earning per share (Rs.)	10.2	10.6	6.3	4.6	5.4	7.42	2.79
Book value (Rs.)	59.7	83.8	87.8	90.6	90.5	82.48	13.03

Source: -SIDBI Report SSIs

In the words of Anthony, "Return on net capital employed looks at income in relation to the permanent funds invested in the enterprise. The permanent funds consist of shareholders' equity plus non-current liabilities or the same figure may be found by subtracting current liabilities from total assets.5 thus, net capital employed consists of total assets in the enterprise less its current liabilities. The term `return' signifies operating profit before interest and taxes. The ratio is more appropriate for evaluating the efficiency of internal management. It enables the management to show whether the funds entrusted to enterprise have been properly used or not. A high ratio is a test of better performance and low ratio is an indication of poor performance. This ratio is the most important for studying the management efficiency of the enterprise. It is used to study the operational efficiency of the enterprise. It shows the earning capacity of the capital.

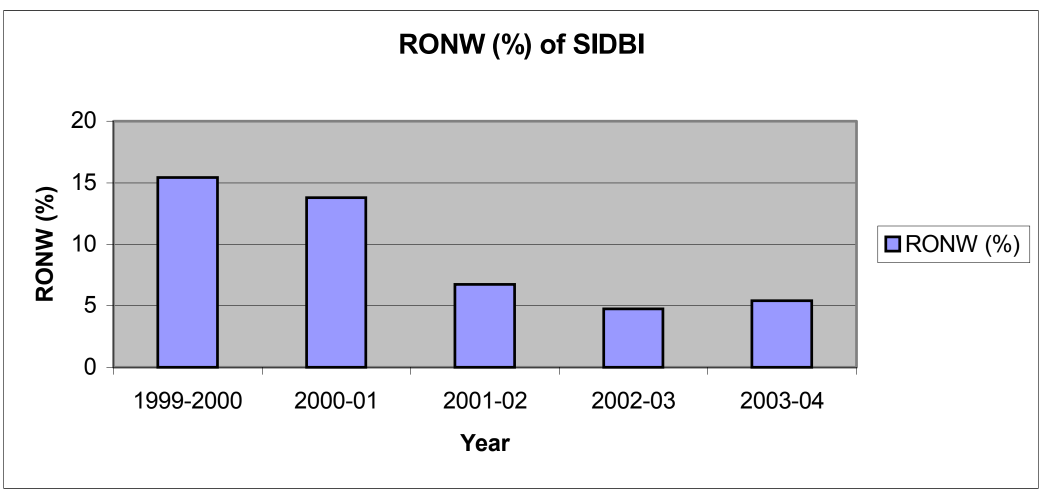
The ROCE ratio of SIDBI shows a declining trend during the study period. It was 11.21 percent and with continuous declining trends it reached at 7.1 percent. The average ROCE of SIDBI was 9.70. The amount of SD indicates a low fluctuation in the ROCE of SIDBI.

Graph – 7.6



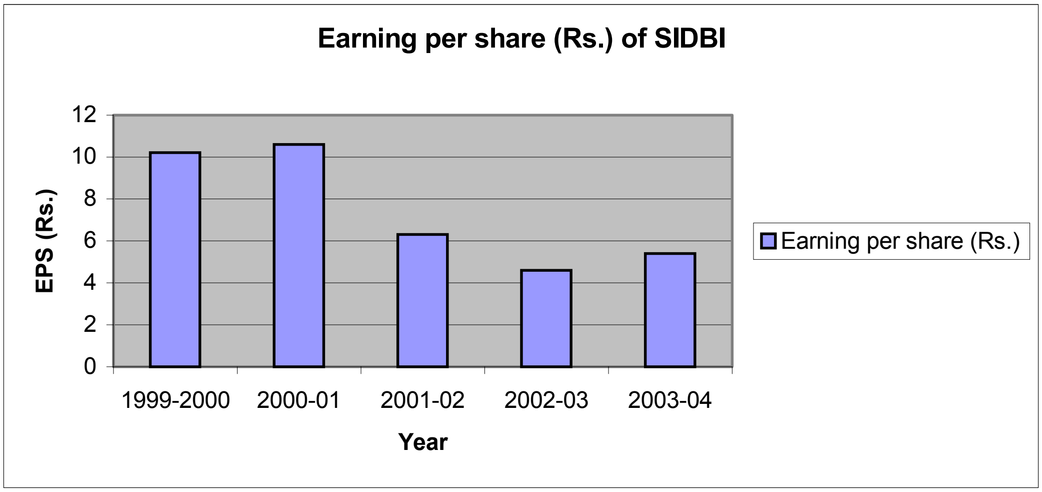
The return on net worth of SIDBI has been presented in the above table. In the year 1999-2000 it was 15.44 percent and in next three year with declining trends it reached at 4.76 percent in the year 2002-03 and then with sharp increase it reached at 5.39 percent in 2003-04.

Graph – 7.7



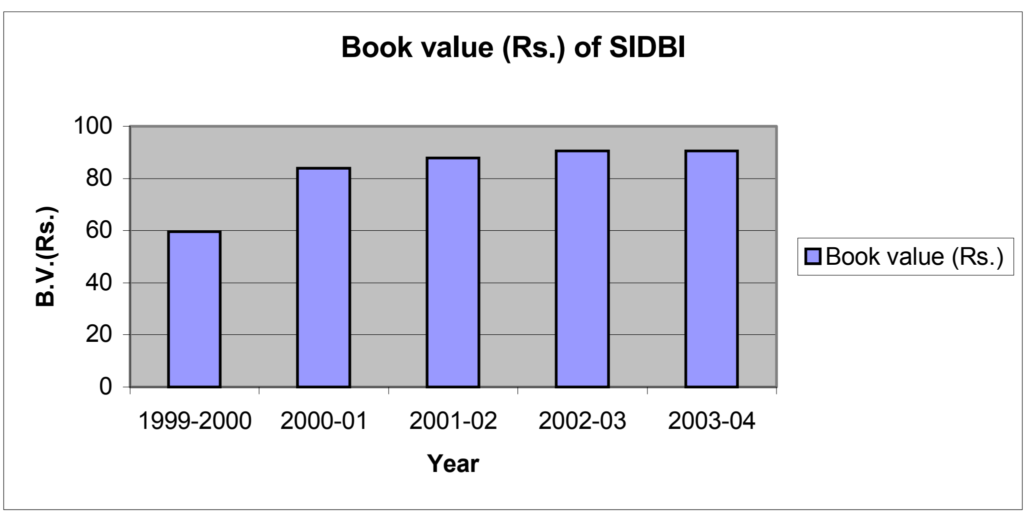
The earning per share of SIDBI was Rs. 10.2 in the year 199-2000 and then it increase and reached at Rs. 10.6 in 2000-01 and then next two year it decline and reached at Rs. 4.6 in the year 2002-03 and it increased and stopped with Rs. 5.4. The average earning per share of the SIDBI for the study period of 1999-2000 to 2003-04 was Rs. 7.42.

Graph – 7.8



The book value of SIDBI has been presented in the **T**able – 7.2. In the year 1999-2000 the book value of SIDBI was Rs. 59.7 and then it has shown increasing trend in next three year and in the final year of study it decline slightly and reached at Rs. 90.5. The average book value of SIDBI was Rs. 82.48. The SD value of book value ratio of SIDBI is 13.03 indicates high fluctuations in the ratio.

Graph – 7.9



7.5 ANALYSIS OFACTIVITY: -

SIDBI is a financial institution. Its basic activity is to provide financial assistance to industries. So, in the present study its activity analysis has been measured with the help of the following parameters.

Table – 7.3

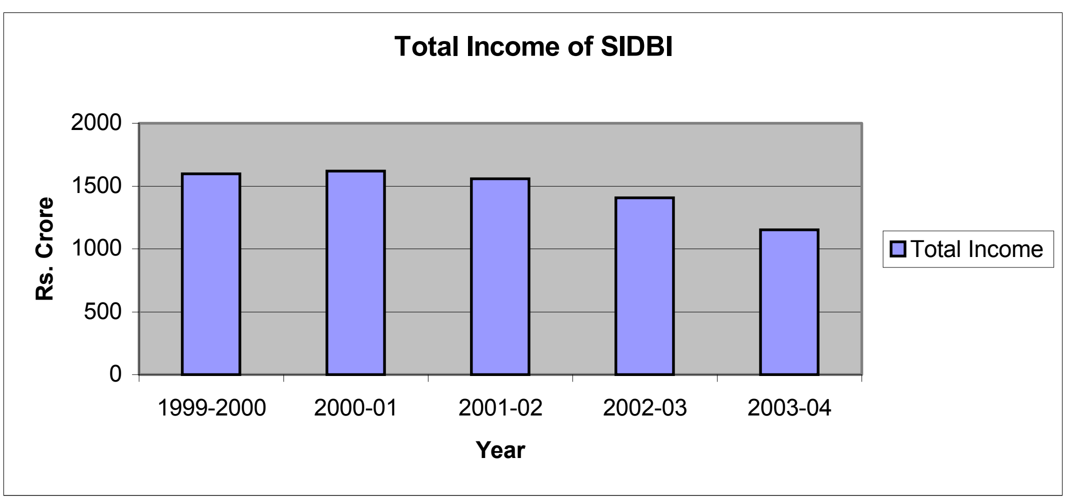
Activity ratio of SIDBI

	1999-2000	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**Average**	**S.D.**
Total Income	1597.9	1619.4	1559.6	1405.5	1151.4	1466.76	195.14
Total Income / Capital Employed (%)	11.82	11.52	10.88	9.91	7.89	10.404	1.58
Average cost of funds (%)	10.4	10.5	10.3	9.4	6.4	9.4	1.73
Margin (%)	3	2.4	1.7	2.4	1.8	2.26	0.53

Source: -SIDBI Report SSIs

The total income earned by the SIDBI during the study period of 1999-2000 to 2003-04 presented in the **T**able – 7.3. It is clear from the table that the total income of SIDBI showed declining trends, except the year 2000-01. In the year total income of SIDBI was Rs. 1597.9 crore and then it increase and reached at Rs. 1619.4 crore and then with continuous decline it reached at Rs. 1151.4 crore in the year 2003-04.

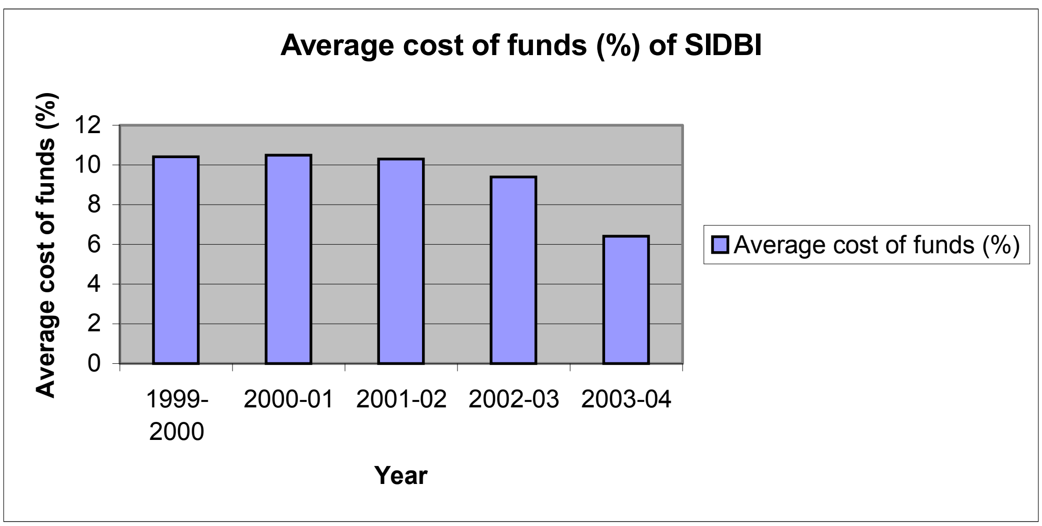
Graph – 7.10



The total income to capital employed in percentage of SIDBI shows declining trends during the entire study period. It was 11.82 percent and with continuous decline trends it reached at 7.89 percent in the year 2003-04. The average the total income to capital employed in percentage of SIDBI was 10.40 per cent.

The average cost of funds of SIDBI presented in the **T**able – 7.3. It includes the total fund raised by the SIDBI and its average cost capital. Looking to the table it clear that the average cost of funds of SIDBI shows declining trends. In the year 1999-2000 the average cost was 10.4 % and in the year 2003-04 it was 6.4%. This is because of declining rate of interest in the India in last few years.

Graph – 7.11



Margin ratio is the difference between interest charged by the SIDBI on its advanced and interest paid by the SIDBI on its funds. Figure of this ratio indicates the margin of SIDBI has been decreased from 3 to 1.8 percent. Decrease in the margin affects the profitability of the SIDBI. It is also clear form **T**able – 7.3 the profitability of SIDBI has been decreased in the last few years.

7.6 ASSETS QUALITY OF SIDBI: -

Standard Assets as percentage of Total Assets ratio indicates the quality of assets. It means up to what extent advances are sound and recoverable. Higher the ratio indicates the lesser the NPA and vice versa.

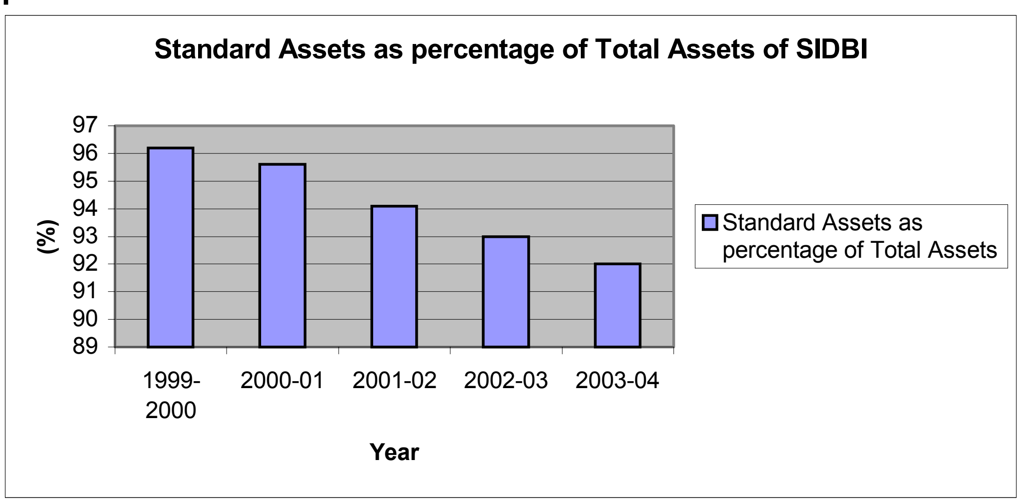
Table – 7.4
Assets Quality of SIDBI

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average	S.D.
Standard Assets as percentage of Total Assets	96.2	95.6	94.1	93	92	94.18	1.75
Capital to Risk Assets Ratio (%)	27.8	28.1	45	44	51.6	39.3	10.77
Debt-equity ratio	3.8	2.7	2.5	2.3	2.2	2.7	0.64

Source: -SIDBI Report SSIs

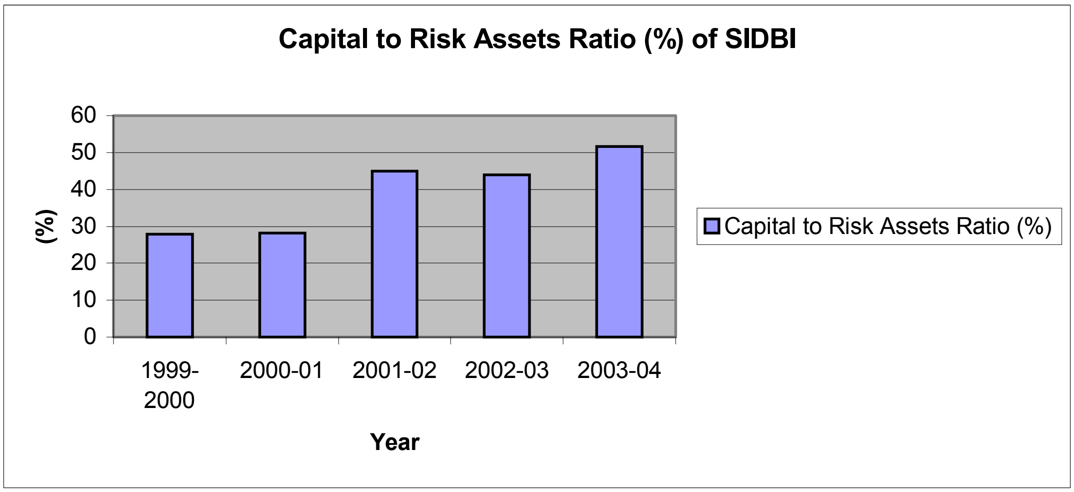
Standard Assets as percentage of Total Assets ratio of SIDBI shows a declining trends. In the year 1999-2000 it was 96.2 percent and with continuous declining trends it reached it at 92 percent in the year 2003-04. It means the volume of NPA is 8 percent in the year 2003-04 which is dangerous for SIDBI.

Graph – 7.12



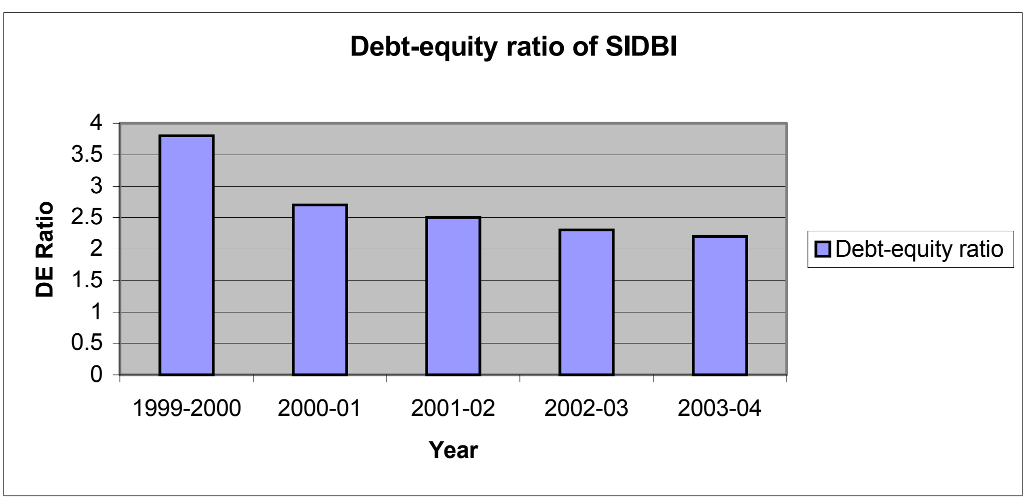
Capital to Risk Assets ratio shows the owned fund in proportion to the risk-weighted assets of the bank. The weight to the assets is prescribed by the RBI for calculating the Risk weighted Assets of bank and also prescribed to maintain it minimum level 9%. Looking to the table the average ratio of Capital to Risk Assets Ratio (%) of SIDBI was 39.3 per cent which far above than the norms of RBI. It shows a good financial condition of the SIDBI. Even in the last year of the study it increases with very huge percentage.

Graph – 7.13



Debt-Equity Ratio is arrived at by dividing Total Borrowing and Deposits by Net Worth. Net Worth includes equity capital, Preference Capital, Reserves and Surplus less revaluation reserves and miscellaneous expenses not written off.

Graph – 7.14



7.7 LIQUIDITY AND TURN OVER POSITION: -

This ratio indicates the proportion of debt fund in relation to equity. This ratio is very often referred in capital structure decision as well as in the legislation dealing with the capital structure decision. Average debt-equity ratio of SIDBI was 2.7. This indicates that all SIDBI is not over leveraged, and has scope to increase the debt component of their capital structure.

Table – 7.5

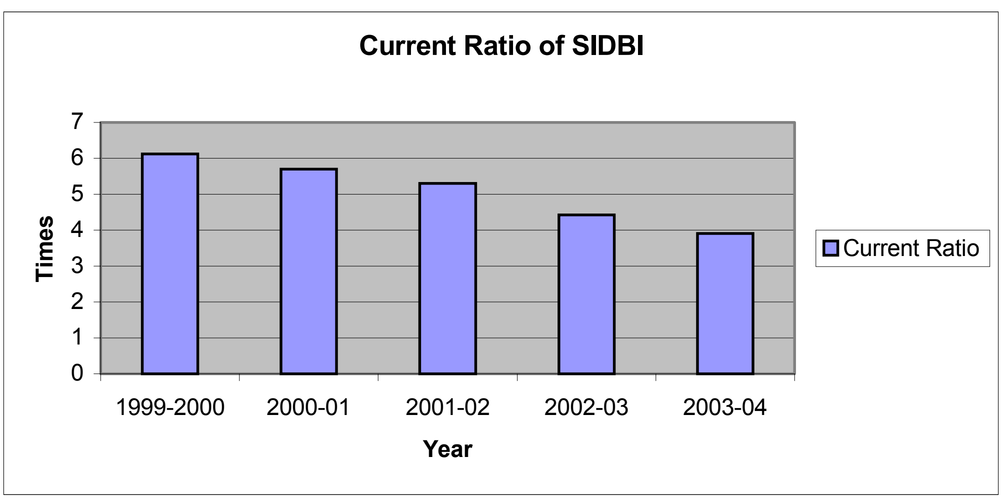
Liquidity and Turn over Position

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average	S.D.
Current Ratio	6.12	5.69	5.31	4.42	3.91	5.09	0.91
Loans Turnover Ratio	0.14	0.13	0.13	0.12	0.11	0.126	0.01

Source: -SIDBI Report SSIs

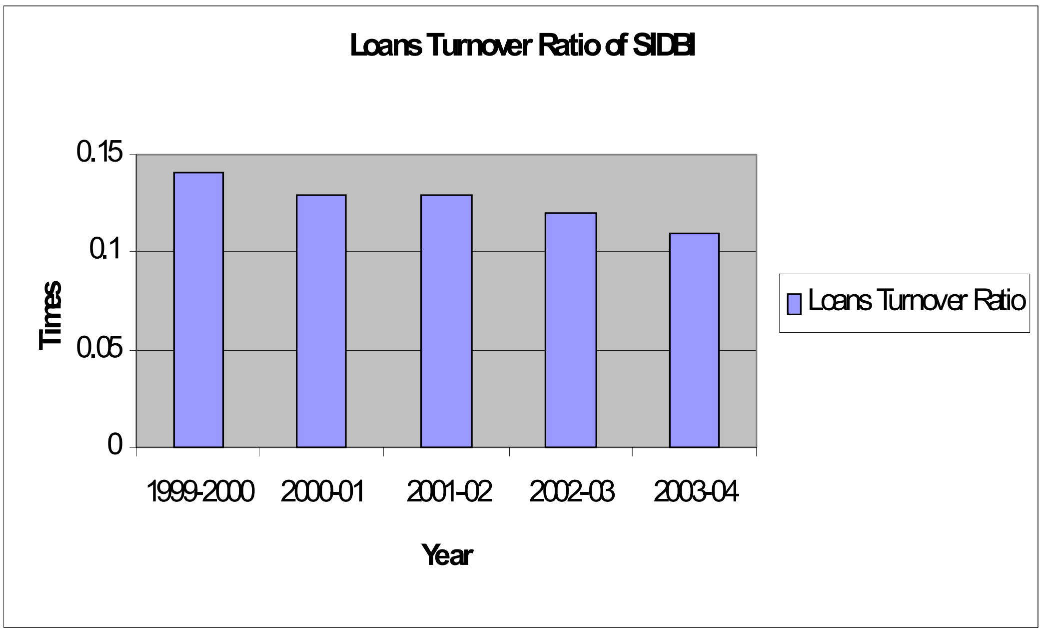
The current ratio indicates the liquidity position of the SIDBI. The current ratio trends of the SIDBI shows a declining trend during the study period. In the year 1999-2000 it was 6.12 times and then with continuous decline it reached at 3.91 times. Looking to data it clears that liquidity position of SIDBI is good. SD of current ratio is 0.91 indicates a very low fluctuation in this ratio.

Graph – 7.15



Loans turn over indicates how the efficiently SIDBI has turnover its loans. The loans turnover ratio of SIDBI was 0.14 times in the year 1999-2000 and with very low fluctuation it reached at 0.11 times in the year 2003-04. The SD value of loans turnover ratio indicates quite stable ratio.

Graph – 7.16



7.7 CONCLUSION: -

Looking to the above analysis it is clear that the profitability of SIDBI has been decrease during the study period. The analysis of assets quality also indicates that the NPA has been also increased in the SIDBI.

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CHAPTER – 8

SUMMARY, CONCLUSION AND SUGGESTION

8.1 SUMMARY & CONCLUSION: -

CHAPTER – 1 INTRODUCTION: -

Starting a business or industrial unit – say, enterprise in short-requires various resources and facilities. Small-scale enterprises, given their small resources, find it difficult to have these own. Finance has been an important resource to start and run an enterprise because it facilitates the entrepreneur to procure land, labour, material, and machine and so on from different parties to run his/her enterprise. Hence, finance is considered as "life-blood" for an enterprise. Recognizing it, the Government through her financial institutions and nationalized banks, has come forward to help small entrepreneurs provide them funds. Admittedly, finance is an important resource but not the only condition to run an enterprise. In order to start any economic activity, a minimum level of prior built-up of infrastructure facilities needed. Financial assistance and concessions cannot, in any case, adequately compensate for deficiencies on infrastructure such as transport and communication. This is one of the reasons why industries have not been developing in backward areas in spite of financial assistance and concessions given by the Governments to the entrepreneurs to establish industries in backward areas. Creation of infrastructural facilities involves huge funds, which the small entrepreneurs do lack. In view of this, various Central and State Government institutions have come forward to help small entrepreneurs in this regard by providing them various kinds of support and facilities. Availability of the institutional support helps make the economic environment more conducive to business or industry.

CHAPTER – 2 OVER VIEW OF SIDBI: -

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 small-scale industrial units, which contribute significantly to the national economy in terms of production, employment and exports. Small-scale industries are the industrial units in which the investment in plant and machinery does not exceed Rs.10 million. About 3.1 million such units, employing 17.2 million persons account for a share of 36 per cent of India's exports and 40 per cent of industrial manufacture. In addition, SIDBI's assistance flows to the transport, health care and tourism sectors and also to the professional and self-employed persons setting up small-sized professional ventures.

SIDBI retained its position in the top 30 Development Banks of the World in the latest 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.

SIDBI is committed to developing a strong, vibrant and responsive small-scale sector. This commitment is to be achieved through a variety of means. Principal amongst them is finance. Alongside finance, SIDBI provides appropriate support in the form of promotional and developmental services. SIDBI has been built up as a financially sound, vibrant, forward looking and technically oriented institution and, it intends to sustain this orientation in future. SIDBI intends to provide quality services to its clients, devoid of any systemic and procedural difficulties.

SIDBI, in its operational strategy, emphasises: enhancement in the flow of financial assistance to SSIs and enhancement in the capabilities of SSIs at all levels, with focus on adoption of improved and modern technology. The small industries sector in India is dominated by a large number of small units. These micro-enterprises require special nurturing. SIDBI has been operating schemes like: Single Window Scheme and Composite Loan Scheme To ensure that financial assistance is made available to such units on easy terms and with hassle-free procedures.

It has been a matter of policy in SIDBI to identify the areas of gaps in credit delivery system and fill them through devising appropriate new schemes and implementing them. In the last 9 years, 26 new schemes have been introduced.

Development Outlook: -

The major issues confronting SSIs are identified to be:

- Technology obsolescence
- Managerial inadequacies
- Delayed Payments
- Poor Quality
- Incidence of Sickness
- Lack of Appropriate Infrastructure and
- Lack of Marketing Network

There can be many more similar issues hindering the orderly growth of SSIs.

Over the years, SIDBI has put in place financing schemes either through its direct financing mechanism or through indirect assistance mechanism and special focus programmes under its P&D initiatives. In its approach, SIDBI has struck a good balance between financing and providing other support services.

Shareholding: -

The entire issued capital of Rs.450 crore has been divided into 45 crore shares of Rs.10 each. Of the total Rs.450 crore subscribed by IDBI, while setting up of SIDBI, 19.21% has been retained by it and balance 80.79% has been transferred / divested in favour of banks / institutions / insurance companies owned and controlled by the Central Government.

CHAPTER – 3 RESEARCH DESIGN: -

This chapter discusses the entire research design. It covers the problem of research. After the problem detailed review of literature provides the insight into the past research. On the basis of the study of literature the research objective has been developed. Later part of this chapter has focused on hypothesis of study, source of data, period of study, tools and techniques used in the study and limitations of the study.

CHAPTER – 4 SMALL SCALE INDUSTRIES IN GUJARAT: -

Small-scale industries contribute significantly to social and economic development objectives such as labour absorption, income distribution, rural development, poverty eradication, regional balance and promotion of entrepreneurship. In fact they play an important role in the process of a country's industries development. Particularly in developing countries, small labour intensive industries have been favoured basically to create employment opportunities in an economy with abundant unskilled labour even through such industries may not always be supported on grounds of economic efficiency. In addition, a low capital requirement, given an appropriate market environment, is believed to stimulate growth of numerous indigenous industries with wide regional dispersal. This helps to promote balanced growth, more equitable income distribution, as well as diversification of the industrial structure with often leads to increased utilization of natural resources. The process, if properly nurtured, can help the entrepreneurial class and boost capital formation as well as growth of industries in the small sector in urban and rural area. Such a process creates the basis for transformation of technology, management and paves the way for creative development while sustaining national heritage and skills. It will also pave the way for the growth of right type of entrepreneurship in the country.

Gujarat has been the front-runner in the overall economic development of the country all these years, as is evident from the fact that with mere 6% of geographical area and 5% of the population of India, the state contributes to 21% of the country's exports and 6.42% of the national GDP at constant prices. If the decadal growth of performance of some of the Indian states vis-à-vis other Asian economies with that of Gujarat are compared, one gets quite an encouraging scenario. The industrial growth of Gujarat with a figure of 8.52% could be way ahead of many Indian states and other Asian Tigers viz. Singapore, Malaysia and Korea. Gujarat - A leading state in manufacturing sector over a period of time, the state has established itself as second to none, especially in case of manufacturing sector. The State has successfully carved out a formidable position for itself on the national map of manufacturing sector, as is reflected from the status of dominance in many areas pertaining to manufacturing.

CHAPTER - 5 PERFORMANCE OF SIDBI IN INDUSTRIAL DEVELOPMENT OF SSIs: -

This chapter deals with the performance of the SIDBI in terms of financial assistance sanctioned by the SIDBI. The main conclusions are as under.

1. It is observed that during the study period the financial assistance SIDBI has shown increasing trends in the amount sanctioned and amount disbursed. In the year 1990-91 SIDBI has sanctioned assistance of Rs. 2408.7 crore and it reached at Rs. 10903.5 crore in the year 2003-04. While in the year 1990-91 SIDBI has disburse assistance of Rs. 1838.5 cores and with increasing trends it reached at Rs. 6789.4 crore in the tear 2003-04.
2. The growth in the amount of assistance sanctioned and disbursed by SIDBI mostly shows positive trends.
3. Major financing of SIDBI has been in the form of direct finance, Refinance, Bill Finance and Loans to and investments in shares/bonds of FIs.

4. The total assistance sanctioned trends during the study indicates a fluctuating trends. In the year 1999-2000 SIDBI has sanctioned assistance of Rs. 10264.7 crore and in the year it was Rs. 8246.3 crores.
5. The amounts disburse by SIDBI during the study period were always less than the amount sanctioned. It indicates that borrower has not utilized all sanctioned amounts.
6. During the study period of 1999-2000 to 2003-04 SIDBI has sanction total assistance towards project finance was Rs. 5783.0 crore. While it disbursement amount was only Rs. 1764.5 crore. It indicates very less has been utilized towards this scheme.
7. SIDBI also provides non-project finance to the industries. It is further divided into asset credit/equipment finance, working capital/ short-term loans and equipment leasing. The trend of amount sanctions towards this assistance shows decreasing trends. In the year SIDBI has provided finance towards this scheme was Rs. 1249.5 crore and in the year 2003-04 it was only Rs. 632.2, which is nearly 50% of the year 1999-2000.
8. Towards the refinance assistance SIDBI has sanctioned the total assistance during the period of 1999-2000 to 2003-04 was Rs. 63743.9 crore against of it SIDBI has sanctioned Rs. 41014.5 crore only.
9. In the scheme of bill finance the trends in sanction amount and in disburse amount shows fluctuating trends. Total assistance sanction by SIDBI towards this scheme was Rs. 16466.5 crore.
10. The results of analysis of industry wise assistance sanctioned and disbursed by SIDBI shows that SIDBI has sanctioned the maximum amounts to the service industry and followed by infrastructure industry during the study period of 1999-2000 to 2003-04.
11. The table of state wise assistance sanctioned and disbursed by SIDBI during the period of 1999-2000 to 2003-04 indicates that the SIDBI has sanctioned and disburse maximum amounts to the Maharashtra and followed by Tamil Nadu and Gujarat.

12. The cumulative amount disburses by SIDBI to all the states during the study period were Rs. 63514.6 crore against the sanctioned amount of Rs. 94404.4 crore.
13. The cumulative amount disburses by SIDBI during the study period to the Gujarat state were Rs. 6034.8 crores against the sanctioned amount of Rs. 9657.1 crore.
14. The SIDBI provides the various assistance to the different sectors like public, joint, co-operative, private and trust. During the study period of 1999-2000 to 2003-04 SIDBI has disburse cumulative amount of Rs. 39711.5 crore against the sanctioned amount of Rs. 52045.6 crore.
15. The SIDBI has sanctioned and disburse the maximum assistance to the private sector followed by public sector and trust.
16. Considering the various purposes SIDBI has sanction and disburses its assistance in new establishment of units, expansion / diversification / acquisition of units, modernization/ balancing equipment, rehabilitation, working capital and other assistance.
17. During the study period of 1999-2000 to 2003-04 SIDBI has disburse total assistance towards various purpose Rs. 39711.5 crore against the sanctioned amount of Rs. 52045.6 crore.
18. SIDBI has sanctioned and disburse maximum amount towards the establishment of new projects followed by the modernization of the existing project. While for other purpose SIDBI has disburse the total amount for the study period was Rs. 16247.4 crore.
19. According to the institute wise refinance assistance SIDBI has sanctioned total assistance during the period of 1999-2000 to 2003-04 was Rs. 26623.7 crore while it has sanctioned its refinance assistance to the SFCs Rs. 15287.2 crore during the study period. The total amount disburse by the SIDBI towards the refinance assistance during the study period was Rs. 20870.5 crore.

20. SIDBI has sanctioned its various forms of assistance through the SSIs and SRTOs during the study period were Rs. 21597.1 crore and Rs. 5026.6 crore respectively.
21. SIDBI has disbursed its various forms of assistance through the SSIs and SRTOs during the study period were Rs. 16065.1 crore and Rs. 4805.4 crore respectively.

CHAPTER – 6 ANALYSIS OF PROMOTIONAL AND DEVELOPMENTAL ACTIVITIES OF SIDBI: -

The Small Industries Development Bank of India provides the following assistance under its promotional development schemes, which will be highly useful to the development of small-scale industries in Gujarat.

- Mahila Udhyam Nidhi
- Enterprise Promotion with emphasis on Rural Industrialisation
- Mahila Udhyam Mitra
- Mahila Vikash Nidhi
- Entrepreneurship Development Programme
- Management Development Programme
- Small Industries Management Programme
- Small Skill-Cum-Technology Upgradation Programme
- Technology Upgradation
- Quality and Environment Management
- Fixed Deposit Scheme
- Market Promotion

- It is found that during the period the study the trends in sanctioned and disburse amount by SIDBI towards promotional and developmental activities shown a increasing trends, which is a good sign for small scale industries.
- Under the mahila udyam scheme of SIDBI the trends in sanctioned and disburse amount shows a fluctuating trends.

- In mahila vikash nidhi scheme of SIDBI shows fluctuating trends during the study period in sanctioned and disbursement amount.
- Under the technology upgradation scheme SIDBI has sanctioned a huge amount in the tear 2003-04 as compared to earlier year.
- SIDBI has also sanctioned sufficient amount of funds under the programme of Quality and Environmental Programme.

CHAPTER – 7 ANALYSIS OF FINANCIAL POSITION OF SIDBI: -

As a financial analyst should not be interested in the performance of a business enterprise during a short period of time because a organization which is financially sound today may eventually lose its strength in the long period if it suffers prolonged losses. In this chapter financial position of SIDBI has been analyzed with various angles.

1. The financial strength of SIDBI has been analyzed through Equity Paid Up, Net worth, Reserve Funds, Capital Employed, Gross Block, Out Standing Portfolio, and Advance / Loans Funds (%) ratio.
2. During the study period equity paid up capital of SIDBI remains stable.
3. Trends in the reserve surplus of SIDBI have shown an increasing trend during the study period.
4. The average capital employed in the SIDBI was Rs. 14326.78 during the study period.
5. In the gross block of assets of SIDBI has shown fluctuating trends.
6. Outstanding portfolio of SIDBI has shown decreasing trends during the study period.
7. Advance / Loans Funds (%) ratio of the SIDBI for the study period of 1999-2000 to 2003-04 was always more than 104 percent.
8. For the purpose of analysis in the present study following ratios were used i.e., Return on Capital Employed, Return on Net Worth, Earning Per Share and Book Value Per Share.

9. The result of analysis indicates during the study period ROCE and RONW has shown declining trends. The average ROCE and RONW during the study period were 7.1 percent and 5.40 percent.
10. Earning per share of SIDBI has shown decreasing trends in the first four years of study period and it slightly increase in last year of the study.
11. During the study period book value per share of SIDBI has shown increasing trends in the first four years of the study period and in last years it remains stable.
12. The analysis of activity of SIDBI has been made through Total Income, Total Income / Capital Employed (%), Average cost of funds (%), and Margin (%) ratio.
13. The total income trends of SIDBI has shown declining trends during the study period.
14. The average ratio of total income to capital employed ratio of SIDBI was 10.40 percent and shown declining trends during the study period.
15. The average cost of funds of SIDBI was around 10 percent in the first three years of study period and in last year it was 6.4 per cent.
16. Margin ratio of SIDBI has also shown declining trend during the study period.
17. The assets quality of SIDBI has been analyzed with the help of Standard Assets as percentage of Total Assets, Capital to Risk Assets Ratio (%), and Debt-equity ratio.
18. The Standard Assets as percentage of Total Assets ratio of SIDBI has shown declining trends during the study period and in last year it was 92 percent which indicates the NPA has been increased during the study period.
19. The average Capital to Risk Assets Ratio of SIDBI was 39.3 percent and shown an increasing trends during the study period which is a good sign for SIDBI.
20. The debt equity ratio has shown declining trends during the study period.

21. The liquidity and turn over position of SIDBI has been analyzed through current ratio and loan turnover ratio.
22. The current ratio of SIDBI has been decreased during whole study period but average current ratio of whole period of SIDBI was 5.09 times indicates a satisfactory position.
23. The average loan turn over ratio of SIDBI was 0.12 times, which was quite stable during the study period.

8.2 SUGGESTIONS: -

- The total assistance amount sanctioned and disburse amount has shown a vast difference it should be minimize.
- During the study period sanctioned and disburse amount for various assistance under various heads has been decreased which should be increase.
- SIDBI should make the collaborative efforts with government to promote small-scale sector.
- SIDBI should make a good coordinate with various government agencies.
- Need to announce the developmental policies for the small-scale sectors of India.
- For the technical competitive ness of small scale SIDBI should taken a initiative.
- SIDBI should create coordination between small scale and medium scale industries of India.
- In the developmental banking the SIDBI has been not came up with its aggressive policy, which is the need of present.
- SIDBI policy should be developed with proper coordination of all regional office not at head quarts only.
- SIDBI should increase its branch with opening of new branches in the various parts of the country.
- SIDBI assistance to various regions has shown imbalance, which should minimize.

- SIDBI assistance to various states has also shown imbalance with should minimize.
- SIDBI assistance to industry wise has also shown a vast deviation, which should minimize.
- SIDBI should also provide a various marketing assistance to small-scale sector of India.
- Under the developmental and support assistance SISBI has allocated very less funds that should be increased.

SIDBI should provide a financial assistance to entrepreneur and small scale with a very low interest rates.