



A Study on SIDBI's various Scheme for MSMEs Development

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Abstract: -

Micro, Small and Medium industries are engine of economic growth of India. They are spread all over India SIDBI is played important role in the development of Micro, Small and Medium industries. SIDBI has consciously adopted a 'Credit Plus' approach under which the SIDBI notice the Promotional and Developmental needs to MSMEs as well as other financial institutions along with their financial needs.

SIDBI is actively granting support in the areas of cluster development, rural industrialization, technological up-gradation, entrepreneurship development, advisory services, promoting innovation and market linkages, etc. On the basis of promotional and development (P&D) involvement have made noticeable socio-economic impact benefitting more than 2.3 lakh persons in the MSME sector. As well, more than 1.5 lakh employments have been created and over 80,000 unit's mostly rural enterprises have been set up.

SIDBI plays an important role in the development of Micro, Small and Medium industries, the paper highlight on different schemes of SIDBI in the growth of MSMEs and review its impact on said sector.

Keyword: - MSMEs, SIDBI, Credit Plus, P & D

1.1 Introduction:-

Small Industries Development Bank of India (SIDBI) was set up on 2nd April 1990 under an Act of Indian Parliament, SIDBI, is a wholly owned subsidiary of Industrial Development Bank of India (IDBI), As the principal financial institution for promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities. SIDBI is work for MSMEs betterment and development. It has been receive special attention in state and central government policies for MSMEs, with its Head Office at Lucknow. Especially it supports to 600 clusters through a network of 84 Branches and 15

Regional Offices with a total of around 1143 employees. Presently the SIDBI operates under the Department of Financial Services, Government of India.

The MSME sector is the focused business domain for SIDBI; it has been an important support of the Indian Economy, contributing up to 33% in the country's Gross Value Added (GVA) as per FY 2014-15, with 51 million enterprises providing employment to over 117 million Indians. Over the years, SIDBI has been working towards the sustainable development of MSME sector, pioneering efforts that have manifested in creation of economic wealth, its distribution for an egalitarian society while preserving the ecological wealth of the country. These include the innovative Credit Plus model, where credit is supplemented with advisory and mentoring facilities to MSMEs. Some of SIDBI's other revolutionary initiatives include the MFI-led Microfinance movement in India that has nurtured and strengthened more than 100 MFIs and facilitated creation of SFBs, introducing a culture of energy efficient and sustainable finance for the MSME sector, introducing Venture Capital, Risk Capital, Reverse Factoring and other innovative facilities that have been later adopted by various public and private players in the country.

Today, through a motivated and focused approach towards resolving both financial and non-financial hurdles of the rising number of MSMEs, SIDBI has undertaken a series of structural initiatives and strategic interventions that will help make the MSME sector a strong and vibrant sector.

Four basic objectives are set out in the SIDBI Charter. These are as below: -

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

2.1 Review of Literature:-

A literature review or research review is survey of books, scholarly articles, and any other sources relevant to a particular issue, area of research, or theory, and by so doing, provides a description, summary, and significant evaluation of these works in relation to the research

problem being investigated. The various research scholars have made efforts to study the identification role of Small Industries Development Bank of India (SIDBI). Following are some reviews of relevant literature undertaken for the study purpose:

2.2 Dr. Waghmare Shivaji (2016)¹ in his article entitled “*An analysis of profitability and productivity of small industries deployment bank of India (SIDBI)*” analyzes of productivity and profitability of SIDBI by using various management ratios for satisfactory in the assistance of SIDBI Finance.

2.2 Mr. Manish Roy Tirkey and Dr. Enid Masih(2017)² in their research paper entitled “*The Performance of SIDBI in the development of MSME in Uttar Pradesh*” assess the performance of SIDBI for SSI in Uttar Pradesh and promotional and development activities of SIDBI and finally they concluded that SIDBI is necessary for the proactive and forward looking method to face the future market and other competitive forces.

2.3 Paramasivan C (2015)³ has discussed the role of SIDBI is playing in “*Dalit entrepreneur’s development in India*”. In his article he shows that the role of Entrepreneurship among the Dalit is one of the new adventures to bring them as economically empowered people. On the above statement regarding financial institutions provide a special assistance to Dalit entrepreneurs with regard to subsidy, concession and rebate.

2.4 Reji.M.A.(2004)⁴ In his study “*Role of Small Industries Development Bank of India (SIDBI) in the Development of Small Scale Industries in Kerala*” states that the financial problem is the most important in life of SSI. He suggests that SIDBI required the taking of a proactive and a forward looking approach to face SSI problems like impending of financial, employment, market and other competitive field.

2.5 Dr. Dhiren Meetei and Mrs. Soma Devi Moirangthem (2013)⁵ In their research article entitled “*A Study on Role of SIDBI for Credit Support Services*” SIDBI has served the micro small and medium industries providing a wide range of products and credit support services. It will have to change its basic strategy in view of declining interest rates and availing of refinance of banks.

3.1 Objectives:

- To study the various schemes of SIDBI for MSMES.

- To highlight the loan pattern of SIDBI.

4.1 Methodology:

The present study is based on secondary data. The required data for the study has been collected from secondary sources. The secondary data Collection includes (I) Annual Reports of SIDBI; (II) SIDBI's Reports on MSME Sector; (III) Ministry of MSME's reports; (IV) RBI Annual Reports, (V) official websites of Government agencies and offices.

5.1 SIDBI's various Scheme for Micro, Small and Medium Enterprises:

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last six decades. MSMEs not only play crucial role in providing large employment opportunities at relatively lower capital cost than large industries but also help in industrialization of rural & backward areas. With respect to above statement it can be said that SIDBI provide a special assistance. Thereby, it reduces regional imbalances, assures more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. For this purpose SIDBI has provided financial, promotional, development and support services and Scheme to MSMEs. Following are some schemes available for MSMEs.

5.1.1 Technology Innovation Fund (SRIJAN Scheme) :

In this scheme SIDBI provides term loan for developmental loan at flexible terms & interest rate to Encourage / promote development / innovation of new technology / process / product and its commercialization. It provides upto 80% of the projected loan or assistance more than 100 lakh.

5.1.2 Secured Business Loan for MSMEs (SBL):

It is offer those MSMEs in manufacturing as well as services sector for planned or unplanned business related expenditure on the strength of the collateral securities and repayment capacity based on current operation. The loan will sanction on collateral values of maximum Rs. 10crore.

5.1.3 Inland Letters of Credit (INLCs) :

Inland letter of credit is provided to existing customer of MSMEs for INLCs for purchase of capital equipment. It forms part of the project cost against which SIDBI has sanctioned assistance and INLCs for purchase of raw material against the Working Capital assistance sanctioned by SIDBI. The sanction amount of this scheme is on required basis.

5.1.4 General Purpose Term Loan :

This scheme of SIDBI bank is most popular for new entrepreneur for Setting up of a new MSME unit, Expansion / Diversification / modernization, technology upgradation/ quality certification of existing units in MSME sector, Acquisition of additional machinery / equipment. The types are term loan for 8-10 years period the maximum amount sanction of Rs. 10 lakh.

5.1.5 Scheme for Asset Backed Assistance to Asset Light Scheme for Service Sector Entities:

This scheme is given only service sectors unit like Hotels, Hospitals, Logistic companies etc. to meet there credit needs of entities / projects creating fixed assets as part of the project / business or offering fixed assets as guarantee. Repayment schedule of this scheme is 12 years with fix installment and ballooned in line with the expected cash flow.

5.1.6 Working Capital Assistance to MSMEs:

Purpose of this scheme is to meet the working capital need to existing customer. In this scheme to provide timely and adequate working capital assistance to eligible MSMEs for meeting working capital requirements under the SIDBI – IDBI Working Capital Arrangement. Current ratio of this scheme is 1.25 and interest coverage is 1.5 time.

5.1.7 Guarantee Scheme for MSEs :

Guarantee Scheme for Micro and Small Enterprises (MSEs) which guarantees credit facilities up to INR 200 lakh on automated digital platform, extended by Member Lending Institutions (MLIs) to those MSE loans, which are not backed by collateral security and / or third-party guarantees. The main objective of the scheme is that lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The other objective is that lender availing guarantee facility should endeavor to give composite credit to the borrowers. Guarantee shall be provided on behalf of industrial concerns & service sector units in

Micro & Small Enterprises Sector (MSEs). The Existing customers with satisfactory track record and New shall also be considered both fund based and non fund based limits.

5.1.8 Financing End to End Energy Efficiency Investments in MSMEs :

It is also called 4E financial scheme. It provides Micro, Small and Medium Enterprises (MSMEs) planning to invest in Energy saving investments in plant and machinery , production processes in order to reduce carbon footprint and enhance Profitability and Cleaner Production and emission reduction measures, waste management and Common Effluent Treatment Plant (CETP) facilities. The main objective of this scheme is financial products to enable climate and environmental friendly investments to Promote energy saving in Micro, Small and Medium Enterprises (MSMEs) and Reduce the emission of greenhouse gases, especially Carbon Dioxide (CO₂) to contribute towards climate change mitigation and achieve a reduction or avoidance of emissions and pollution through the introduction of financial products and Support MSMEs towards development, up-scaling, demonstration and commercialization of innovative technology based project.

5.1.9 Trade Finance Scheme (TFS)/Raw Material Assistance (RMA):

This scheme provides working capital through raw material. The prime objective of Trade Finance Scheme/ Raw Material Scheme is to providing financing MSMEs for procuring raw materials / inventory which would relieve the liquidity position of the MSMEs. Since MSME's mostly source their raw materials from larger corporations who function on 'Cash on Delivery' (COD) module i.e. no credit to MSME's, the process puts a financial strain on the MSME's. The credit period of this scheme is 90 days.

5.1.10 MSME Receivable Finance Scheme (MSME RFS):

This is one of the most important schemes provides by SIDBI to its help improves their liquidity, quicker realization of receivables, Discounting at competitive rates and Efficient Cash Management. The problem is delayed payments to MSMEs in respect of their credit sales to large purchaser companies by offering finance against bills of exchange/ Invoices arising out of such sales. The scheme covers discounting of bills of exchange arising out of sale of original parts intermediates by an MSME unit. Services provided by an enterprise in the services sector (eligible service provider)

to purchaser companies are also covered. The tenor of this scheme is 90-180 days and it's protected by Negotiable Instrument Act 1881.

5.1.11 Direct Discounting Scheme:

The scheme covers small machinery manufacturing units, service sector units and construction industry. The scheme enables the purchase/sale of indigenous machinery/capital equipment by MSME's through deferred payment facility by discounting the Bill of Exchange with SIDBI. The MSME may be a buyer or a manufacturer and would still be eligible for the scheme benefits. The scheme covers small machinery manufacturing units, service sector units and construction industry.

Conclusion:-

There are many schemes and source for MSMEs to taking loan but the government of India adopts loan policy to Micro, Small and Medium Industries from Small Industries Development Bank of India. SIDBI has provided number of scheme to entrepreneur and MSMEs. This paper focus on various SIDBI scheme to development of MSMEs efficiency. The entire schemes are most beneficial for the Micro, Small and Medium Enterprise (MSME). But those industries have low leading position; they are unwilling to SIDBI schemes for that scheme reach to entrepreneur that purpose SIDBI makes an advertisement to all the scheme at large place and grant loan immediately. Apart from above efforts SIDBI should develop customer friendly desks at their reception counter to provide detailed information regarding its schemes.

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