



A Study on Sidbi's Direct Finance Scheme for Small Scale Units in Lucknow City

KEYWORDS

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ABSTRACT *The role of SIDBI in development of small scale units in recent years is critically analyzed in this paper. The research paper suggests the role of direct finance schemes in small scale units in Lucknow city. The contribution of SIDBI in growth of small scale units by direct finance schemes is also discussed. This would help the organizations and other players to take steps to support the small scale units in Lucknow city.*

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 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. These are as below: -

- (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.

Research Methodology

1. Statement of problem:

In the development dynamic of Indian economy, the small- scale sector, which covers a wide spectrum of industries, occupies an important place. It has undoubtedly grown into one of the most vital sectors of our economy. The small-scale sector including small, tiny and cottage industries with a total strength of forty lakh units plays a vital role in the economy. It not only provides immediate employment on a large scale but also acts as a tool for ensuring a more equitable distribution of income as well as an effective vehicle for mobilisation of resources including capital and entrepreneurship, which would otherwise remain unutilised. According to the economic survey 2011-2012 the small-scale sector has played a very important role in the socio economic development of the country during the past 50 years. It has significantly contributed to the overall growth in terms of Gross Domestic Product (GDP), employment generation and exports. The performance of the small-scale sector therefore has a direct impact on the growth of the overall economy.

U.P. state being the largest in term of population has employment problem which is most acute and the development of small-scale industry occupies importance for solving the unemployment problem to a great extent and for achieving economic growth. In terms of size and factor productivity small-scale sector in U.P compared poorly with all India figures. So the growth of small industry is not remarkable in U.P. The third All- India Census of Small-scale industries have identified U.P as the state accounting for around one fourth of the country's sick small-scale industrial units. One of the main reasons for sickness is shortage of finance. The small-scale industrial sector confronts several problems despite its strategic importance in industrialisation and its immense potential for employment generation. The problem, which continues to be a big hurdle for the development of the sector, is lack of timely and adequate credit. Tamil Nadu had the highest share among the southern states in cumulative disbursements from all-India financial institutions at 7.7 percent up to 2000-01 followed by Andhra Pradesh and Karnataka, which were almost equal at 6.3%. U.P got a mere 1.5 % of all- India financial institutions disbursements. The institutional finance assumes considerable importance in the developing countries because of low capital formation, ill organised capital market, gaps between the need and supply of finance in small industrial units.

Objectives:

1. To assess the impact made by direct financing of SIDBI on the development of small scale industries
2. To evaluate the direct financing promotional and developmental activities of SIDBI

Scope of study:

The present study is confined –

1. The role of SIDBI with reference to development of SSI in U.P. in the form of direct financing.
2. Analyse the various plans and policies of SIDBI to ascertain the direct financing to the SSI.

Hypotheses of the study

Ho: The SSI units are benefited by direct financing of SIDBI in Lucknow city.

H1: The SSI units are not benefited by direct financing of SIDBI in Lucknow city.

Availed any direct finance scheme by SIDBI Table 1

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	21	25.0	25.3	25.3
No	59	73.8	74.7	100.0
			100.0	
Total	80	100.0		

Research Design:

Research design is exploratory in nature. Role of SIDBI in development of small scale industries is analyzed and its impact towards small scale industries is studied in this research.

Data collection sources:

Primary Data:

These data were collected through survey of small scale industries with the help of questionnaire

Secondary Data:

Information regarding the project, secondary data was also required. These data were collected from various past studies and other sources like magazines, newspaper, reports and websites which are qualified as reliable.

Research instrument:

Structured questionnaire

Description of study area:

Uttar Pradesh

Sampling plan:

a. Target population:

Small scale industries in Lucknow city

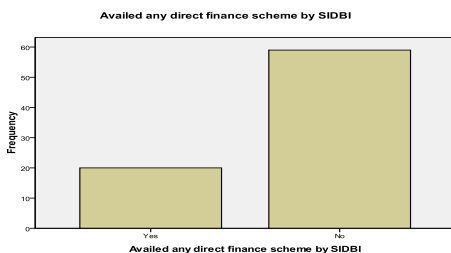
b. Sampling unit:

Small scale industries at the time of research

c. Sample size:

80 units

Analytical tools:



- Graphical presentation, frequency chart, Chi Square Test

Analysis and Interpretation

Interpretation – As shown by the it is seemed that SIDBI direct finance scheme is less popular amongst SSI in Lucknow which is only 20 percent.

Usefulness of Direct finance from SIDBI for SSI Ta-

ble 2

	Fre-quency	Percent	Valid Percent	Cumulative Percent
Completely Disagree	0	0	0	0
Disagree	61	76.2	5.0	5.0
No opinion	2	2.5	10.0	15.0
Agree	5	6.3	25.0	40.0
Completely Agree	12	15.0	60.0	100.0
			100.0	
Total	80	100.0		

Interpretation – As shown by the Table2 it is seemed that by SIDBI direct finance scheme only 15% small scale industries were satisfied. 2.5% were neutral .6.3% were agree and 76.2% were disagree.

Hypothesis testing -

Availed any direct finance scheme by SIDBI

	Observed N	Expected N	Residual
Yes	20	39.5	-19.5
No	59	39.5	19.5
Total	79		

Test Statistics

	Availed any direct finance scheme by SIDBI	
Chi-Square	19.253a	
Df		
Asymp. Sig.	.000	
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 39.5.		

By the Chi square test we can easily say that Null hypothesis is rejected here which was -

Ho: The SSI units are benefited by direct financing of SIDBI in Lucknow city.

So that we will accept alternative hypothesis which is -

H1: The SSI units are not benefited by direct financing of SIDBI in Lucknow city.

Findings –

- Most of the Small scale units (59%) were not aware about direct finance schemes of SIDBI.
- Among 80 Small scale units only 21% have availed direct finance schemes of SIDBI.
- 76.2% SSIs were dissatisfied by the direct financed schemes of SIDBI in Lucknow city.

Conclusion – SIDBI have done the lot of efforts for assisting the small scale units in Lucknow city but some more awareness is needed to boost up the SSIs in Lucknow city. SIDBI should also provide proper path and training to improve the financial conditions of small scale units in Lucknow city.

REFERENCE

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