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Commerce

SIDBI AND ITS LATEST BUSINESS DOMAIN

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ABSTRACT Small Industries Development Bank of India is an independent financial institution aimed to aid the growth and development of micro, small and medium-scale enterprises (MSME) in India. Set up on April 2, 1990 through an act of parliament, it was incorporated initially as a wholly owned subsidiary of Industrial Development Bank of India. SIDBI with its Head Office at Lucknow caters to 600 clusters through a network of 80 Branches and 15 Regional Offices with a total of around 1050 employees. The business domain of SIDBI consists of Micro, Small and Medium Enterprises (MSMEs), which contribute significantly to the national economy in terms of production, employment and exports. SIDBI has taken the initiative to promote several institutions viz., Credit Guranatee Fund Trust for Micro and Small Enterprises, SIDBI Venture Capital Limited, SME Rating Agency of India Ltd, India SME Technology Services Ltd., and India SME Asset Reconstruction Company Lt Micro Units Development Refinance Agency (MUDRA Bank) has been set up as a wholly owned subsidiary of SIDBI to undertake refinancing to micro business under Prime Minister MUDRA Yojana (Scheme) of India. SIDBI has taken the initiative to promote several institutions viz., Credit Guranatee Fund Trust for Micro and Small Enterprises, SIDBI Venture Capital Limited, SME Rating Agency of India Ltd, India SME Technology Services Ltd., and India SME Asset Reconstruction Company Ltd.

KEYWORDS:

Role 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 in India.

Authorised capital

The authorised capital of SIDBI is INR 10 billion (Euro 133 million) and paid up capital is INR 4.50 billion (Euro 60 million). The networth of SIDBI as on March 31, 2014 was INR 91.26 billion (Euro 1.22 billion).

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Business Domain

The business domain of SIDBI consists of Micro, Small and Medium Enterprises (MSMEs), which contribute significantly to the national economy in terms of production, employment and exports. MSME sector is an important pillar of Indian economy as it contributes greatly to the growth of Indian economy with a vast network of around 3 crore units, creating employment of about 7 crore, manufacturing more than 6,000 products, contributing about 45% to manufacturing output and about 40% of exports, directly and indirectly. In addition, SIDBI's assistance also flows to the service sector including transport, health care, tourism sectors etc.

SIDBI has been addressing needs of MSMEs through its niche products viz. Energy Efficinecy, Risk Capital, Bill Discounting and Service Sector.

SIDBI has also played pioneering role in extending responsible microfinance through Micro Finance Institution (MFI) route. In addition to funding, capacity building support has also been provided to smaller MFIs to cater to emerging needs for new and innovative products. The programme has benefitted 3.32 million beneficiaries, mostly women.

SIDBI adopts a Credit Plus approach in its endeavour towards holistic development of the MSME sector, wherein, besides cerdit, the Bank also offers grant support for the Promotion and Development (P&D) for the sector to make it more vibrant, competetive and stronger. The P&D activities of the Bank include Micro Enterprise Promotion, Cluster Development, Entrepreneurhsip Development, Capacity Building of the MSME Sector, promotion of Responsible Finance among Micro Finance Insitutions, Sustainable Finance to MSMEs

including Energy Efficiency, Environment Protection, Renewable Energy etc.

Cumulative disbursement as at the end of March 2015 stands at INR 3900 billion (Euro 52 billion) benefitting 34.6 million persons in the MSME sector. The total outstanding portfolio as at end March 2015 is INR 553.43 billion (Euro 7.38 billion).

SIDBI also functions as a Nodal/ Implementing Agency to various schemes run by different ministries of Government of India viz., Ministry of MSME, Ministry of Textiles, Ministry of Commerce and Industry etc.

In an attempt to serve the sector better, SIDBI has taken the initiative to promote several institutions viz., Credit Guranatee Fund Trust for Micro and Small Enterprises, SIDBI Venture Capital Limited, SME Rating Agency of India Ltd, India SME Technology Services Ltd., and India SME Asset Reconstruction Company Ltd.

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Total New Commitments in 2015

Micro Units Development Refinance Agency (MUDRA Bank) has been set up as a wholly owned subsidiary of SIDBI to undertake refinancing to micro business under Prime Minister MUDRA Yojana (Scheme) of India.

SIDBI has created a fund-of-funds corpus of INR 20 billion (Euro 266 million) to pick-up equity in startups under the INR 100 billion (Euro 1.33 billion) corpus.

Stand-Up India Scheme, an ambitious programme of the Government of India, facilitates bank loans between INR 1 million (Euro 13333) to INR 100 million (Euro 1.33 million) to atleast one woman and two borrowers belonging to weaker sections of society (Scheduled Castes & Scheduled Tribes) per bank branch for setting up a new unit. To contribute to the scheme, SIDBI will raise INR 100 billion (Euro 1.33 billion) corpus for 'Stand Up India Fund' to be used to refinance loans extended by banks to these entrepreneurs.

In order to give boost to start-up Venture Capital ecosystem in India, SIDBI launched INR 20 billion (Euro 266.66 million) India Aspiration Fund (IAF), to act as a Fund of Funds to enhance flow of equity to startups and growth stage MSMEs.

SIDBI launched a INR 100 billion (Euro 1.33 billion) 'SIDBI Make in India Soft Loan Fund for Micro, Small & Medium Enterprises (SMILE)' to make available soft loan to MSMEs, as quasi-equity to meet debt-equity ratio and term loan on relatively soft terms for new MSMEs, as also for pursuing opportunities for growth for existing MSMEs.

SIDBI has been identified as one of the agencies to set up Trade Receivebales Discounting System (TreDS), an institutional mechanism for financing of trade receivables of MSMEs from corporate buyers through two or more. It shall deal with discounting of both invoices and bills of exchange.

SIDBI role in start up India mission 2016

- Small Industries Development Bank of India (Sidbi), which has given financial support to over 500 new entities, for Start-up India movement.
- The bank is very active in supporting and promoting the entire startup ecosystem for making it more healthy, robust and strong, which is very crucial in fuelling India's economic growth
- 3. Sidbi is also in the process of providing a collaborative engagement web-based platform, which will not only provide single window availability of information but also enable digitised flow of information across all the stakeholders in the ecosystem viz. angel networks, incubation centres, venture funds, mentors and industry bodies.
- Prime Minister Narendra Modi will unveil the action plan of the Startup India scheme to encourage innovation and young
- In the last 15 years, has financially supported over 534 companies through its venture capital subsidiary and various other initiatives for startups.
- 6. It established a wholly-owned subsidiary SIDBI Venture Capital way back in 1999 through which it invested in more than 90 early and growth stage enterprises from diverse sectors. Its venture capital arm presently manages five venture capital funds with an aggregate corpus of Rs 1,500 crore. Some of the successful startups assisted by the fund include Bill Desk.com, Manthan Systems etc
- 7. To continue with its support to the startups through Fund of Fund operations, India Aspiration Fund (IAF), with a corpus of Rs 2,000 crore was launched by the Finance Minister in August 2015 to enhance the equity availability to Micro, Small and Medium Enterprises (MSMEs).
- In a short time, an amount of Rs 1,126 crore has already been recommended for sanction to 31 Venture Capital Funds (VCFs) out of which formal sanction has already been communicated to 18 Venture Capital Funds for Rs 506 crore. To facilitate Venture Capital Funds to raise requisite funds and achieve financial close,

- Sidbi has also partnered with Life Insurance Corporation (LIC) of India as part of India Aspiration Fund.
- Sidbi has so far supported 88 Venture Capital Funds with an aggregate commitment of Rs 2,211 crore. These venture funds have invested in 612 enterprises with an equity support of Rs 9,600 crore, of which Rs 4,339 crore were invested in 531 MSMEs.

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