



Role of small scale development policies of India

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Abstract

Small Industrial Development Bank of India (SIDBI) plays a significant role in promoting small scale industries. It is a major source of finance for Micro, Small and Medium enterprise which includes various industries and trade. The schemes and policies of SIDBI are formed to provide finance to beneficiaries according to requirement of industries. It branches provide relief to disadvantaged sections of the nation in remote area where bank or finance related institution are not established. It provides the infrastructure on which agriculture; industries and trade of nation depends. By providing loans to agriculture and small-scale sector they can solve the problems of unemployment and under employment. The SIDBI acts as a nodal organization, facilitator and accelerator for the expansion of MSMEs. Secondary sources were used in the research. The Majority of the information was taken from the SIDBI Annual Reports. According to the report, the majority of performance ratios and indicators have an upward trend and a positive growth rate, which shows how effectively SIDBI has performed. The bank will undoubtedly achieve new heights in the MSMEs sector over the ensuing years. Hence in the present paper an attempt is made to evaluate the small scale development policies of India.

Keywords: SIDBI, development policies, infrastructural facilities

Introduction

The financial status of any business or industries is represented on the basis of its revenue and earnings. In the word of Keynes, profit is an engine that regulates the business enterprise. The Small Industries Development Bank of India (SIDBI) was set up in 1990 under an Act of Parliament- The SIDBI Act, 1989. 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 industrialization 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 smallscale industries in the rural and economically backward areas has an added advantage of increasing incomes in these places. The interest income of SIDBI comprises of interest and discount on loans, advances and bills. The bank incurs interest expenditure in the form of financial charges every year. The difference between interest received and interest paid is known as spread. A higher interest spread is a positive indicator for bank's profitability. The Indian Government policies have aimed for the purpose of development at the simultaneous development of all the segments of small industry, viz. the village, cottage and modern enterprises.

In this regard many types of assistance and services are being provided to the Small Scale Industries Sector and many types of programs and policy have also been created and implemented. Thus, there exists a wide range of services rendered by SIDBI.

First of all refinance being one of the important element of SIDBI's overall operations, different refinance schemes (including Line of Credit in lieu of refinance and STL to

banks) taken together constitute the single largest product of SIDBI. The Bank provides refinance assistance through three categories of institutions viz. banks, SFCs and SIDCs. In tune with the changing liquidity position and the credit policies announced by the Reserve Bank of India from time to time, SIDBI takes policy initiatives to enhance credit flow to the SSI units. The Bank introduced Financial Support (Short Term Loan) to Banks, a new refinance product, during 1998-99. With the launching of this, the refinance scheme got two broad dimensions, viz. (i) Refinance, and (ii) Financial Support (Short Term Loan) to Banks. The main objective of SIDBI's refinance schemes being the enhancement of a flow of funds to the SSI sector and the augmentation of the resources of PLIs, the Bank provides refinance against term loans granted by eligible PLIs to SSI units.

Secondly the various measures taken by RBI for improving the liquidity and lendable resources with banks and improved asset liability management practices, a need was felt by banks to avail of short maturity refinance from SIDBI for a period not exceeding 3 years against their SSI advances. Consequently, the bank introduced a new refinance product, viz. Financial Support (Short Term Loan) to Banks during the year. Under the scheme, assistance is provided to scheduled commercial banks and co-operative banks in respect of their outstanding portfolio relating to SSI sector, against which to financial support (including refinance assistance from SIDBI) has been availed of from any other institution.

Review of Literature

1. Mali (1998) Mr. Mali in his study Observed that small and medium enterprises (SMEs) and micro enterprises face serious competition from large scale units. MSME

needs improve to do some changes in Management, production capacity, use of manpower. The study also reveals that growth rate of MSME will increase in future after forming strategic alliance with international units. Strategic alliance provide opportunity in better utilization of raw material and available man power.

2. Bala Subrahmanya (2004) The study concludes that small and medium scale industries in India suffer from the disadvantage of technological development, financial infrastructure and poor policy decision. etc due the above drawback industries were not developed according expected growth rate. MSME need to adopt more automation for efficient production. Progressive growth of small and medium scale industries would make positive contribution to national income and employment.

Objective of Paper

1. To Study the role of Small scale development policies of central Government.
2. To Study the role of Small scale development policies of State Government.
3. To analysis the various policies results.

Research Methodology

The research paper is based Secondary data. The Required data and Information have been collected from Annual Reports of SIDBI; SIDBI's Reports on MSME Sector; Ministry of MSME's releases; The RBI Annual Reports and Various Websites relevant to topics.

Central government incentive schemes

The primary responsibility to develop village and small industries in the States/UTs rests with the respective State/UT Governments. However, the Government of India announces, from time to time, various incentive schemes/concessions and support services for promotion of industries, particularly in industrially backward areas and other special regions with the intention of reducing regional imbalances. The package of incentives and facilities currently available from the Central Government are discussed hereunder.

Fiscal incentives are provided in the form of exemptions, rebate, refund or post ponement of direct or indirect taxes leviable on production or profits, besides special tax concessions. Such measures include: (i) Income Tax Concessions, (ii) Customs duty drawbacks, (iii) Exemption and preferential treatment in respect of Excise duty, (iv) Exemption from Sales Tax (vi) Tax holiday for new industrial units, etc.

State industrial policies

The State Governments formulate their respective policies for development of industries in general and small scale industries in particular and also implement the incentive schemes through the District Industries Centres and other Departments and Corporations set up for this purpose. They provide technical and and other support services to SSIs. The main areas of support and facilities are listed below:

- a. Respective Industrial Development and Investment Corporations to develop and manage industrial areas.
 1. Financial support services by State Financial Corporations.

2. Technical guidance by Technical Consultancy Organisations.
3. Human Resources development through training institutions.
4. Infrastructure development by the cncnred corporation.
5. Export promotion by Small Industry and Export Corporations.

Single Window assistance by District Industries Centers

Infrastructural facilities

The main schemes of the Government of India cover the Industrial Estates and Growth Centres.

Industrial estates

The creation of industrial areas and development of plots and industrial sheds for allotment to the SSI entrepreneurs was initiated in 1955 as a centrally sponsored Programme to be implemented through State/UT governments. The objectives has been to attract entrepreneurs to set up small industries or to shift existing units to industrial areas provided with infrastructure facilities like water, electricity, developed roads, banks, canteens, watch and ward, communication facilities, etc. The other aim for creation of industrial estates was to achieve de- centralised development in rural areas, develop sub-contracting relationship and establish common facility centres. This programme continued till 1979 with the assistance from Government of India and 796 industrial estates were established by then throughout the country. Thereafter, the states took over the activity of promoting industrial infrastructure and inducing SSIs to shift out of non conforming areas to such developed ares. Additional facilities were extended by the different states to entrepreneurs for setting up new units as well as to those units which were moving out of non-conforming areas and relocating to the developed IEs/Areas. These facilities included subsidy on rent for factory accommodation, allotment of sheds on hire-purchase basis as well as on outright sale. Other incentives like concessional charges for water and power, exemption from Sales Tax and Octroi Duty (building material, transport subsidy, etc.) were also offered. However, this programme did not provide for facilities such as separate power generation plants in the developed area, common effluent treatment plants, waste disposal, pollution control devices, etc.

Quality upgradation through incentivefor iso-9001 certification

Financial incentives have been designed for SSI units/ancillary units that acquire ISO 9001, or similar international quality standards. Under the scheme of promoting ISO 9001 certification, SSI units are given financial support by way of reimbursing 75 per cent of their expenditure to obtain ISO 9000 certification subject to a maximum of Rs. 75,000/- (One time reimbursement). The amount of subsidy/financial support if already received from the State Government/financial institutions is adjusted against the entitlement of reimbursement under this scheme. During the past year simplified procedural norms have been made to claim.

Table 1: Table showing technology development modernisation fund [During the period 1996-97 To 2005-06]

[Rs. in Crore]					
Year	Sanctions	Inc./Dec.	Disbursements	Inc./Dec.	% to Disbursement to Sanctions.
1996-97	15.44	-	13.07	-	84.65%
1997-98	48.21	32.77	15.34	2.27	31.82%
1998-99	59.28	11.07	17.68	2.34	29.82%
1999-00	31.22	-28.06	29.44	11.76	94.29%
2000-01	22.67	-8.55	15.13	-14.31	66.74%
2001-02	18.85	-3.82	12.02	-3.11	63.77%
2002-03	14.45	-4.4	9.83	-2.19	68.02%
2003-04	54.32	39.87	22.91	13.08	42.18%
2004-05	14.27	-40.05	27.95	5.04	195.86%
2005-06	0.00	-14.27	3.39	-24.56	339.00%

Sources: Annual Reports of SIDBI

From the above table no.1 depicts the Technology Development Modernisation Fund. In 1996-97 sanctioned 15.44 crore for technology development and in 2003-04

sanctioned 54.32 crores. There are approx. 40 crore increment in sanctioned for technology development fund.

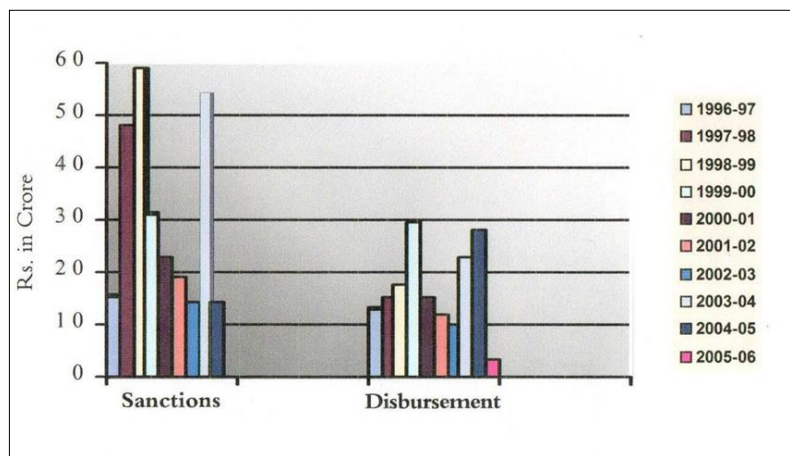


Fig 1: Figure showing technology development modernization fund

Technology Upgradation Fund Scheme for Textile and Jute Industries

In order to provide encouragement to textile and Jute industries for taking up technological upgradation and modernisation programmes, by providing them access to timely and adequate capital at internationally comparable rates of interest, the GOI have launched a time bound Technoogy Upgradation Fund Scheme (TUFS) for Textile and Jute Industries effective April 1, 1999 for a period of 5years. The salient feature of the scheme is interest reimbursement of 5 percent on the interest actually charged by identified financial institutions on the sanctioned projects on the rupee term loans. Cover for exchange rate fluctuation note exceeding 5 percent per annum would also be provided in respect of foreign currency loans.

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 of tufs

For SSIs: The borrowers can avail of any one of the following benefits

- 5% interest reimbursement on the interest actually charged in respect of rupee loan or 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 exchnge in respect of foreign currency loan.

- 15% Credit Linked Capital Subsidy (earlier 12%) on eligible investment made for modernisation, for Small Scale Textile and Jute Industries in respect of rupee loans; The units are permitted to make new investment eligible under TUFS upto Rs. One crore or till the unit reaches SSI limit, whichever is higher.
- 20% Credit Linked Capital Subsidy on machinery cost exclusively for powerloom units in SSI Sector. The cost of modern weaving
- machinery admissible is upto Rs. 100 lakh. (i.e. Subsidy ceiling is Rs. 20 lakh).
- For textile processing units, 10% capital subsidy is being given as an additional incentive since April 19, 2005.

Sidbi as a nodal agency

SIDBI is the nodal agency for the Small Scale units in the Textile sector such as spinning, powerloom, hosiery, garments, cotton, ginning and pressing, to channelise the benefits under the scheme. IDBI is the nodal agency for non-SSI units while IFCI is for Jute industries.

- As a nodal agency, SIDBI is required to co-opt the PLIs and also enter into separate General Agreements for

interest Reimbursement and Capital Subsidy with the co-opted PLIs.

- 205 institutions have been covered under the scheme out of which 116 institutions have executed General Agreement to avail of 5% interest Reimbursement, of the institutions who have not signed General Agreement majority is SIDCs, foreign banks, State co-operative banks.

- Claims are being lodged by various branch offices of the eligible PLIs/Co-opted Institutions at 26 field offices of SIDBI across India. In a year around 16,000 claims are now being received by our branches. Branches are sending the application to HO through online software and HO is communicating approval also through on the software

Table 2: Table showing technology upgradation fund scheme [During the period 1996-97 To 2005-06]

[Rs. in Crore]					
Year	Sanctions	Inc./Dec.	Disbursements	Inc./Dec.	% to Disbursement to Sanctions.
1996-97	N.A.	N.A.	N.A.	N.A.	N.A.
1997-98	N.A.	N.A.	N.A.	N.A.	N.A.
1998-99	N.A.	N.A.	N.A.	N.A.	N.A.
1999-00	45.60	-	19.07	-	41.82%
2000-01	33.69	-11.91	14.86	-4.21	44.11%
2001-02	19.82	-13.87	21.06	6.2	106.26%
2002-03	7.70	-12.12	14.55	-6.51	188.96%
2003-04	59.02	51.32	30.68	16.13	51.98%
2004-05	80.81	21.7	43.76	13.08	54.15%
2005-06	157.02	76.21	126.16	82.4	84.34%

Sources: Annual Reports of SIDBI

The table of technology up gradation fund shows that the fund sanction for the technology up gradation of SIDBI was Rs. 45.60 crore in the year 1999-00. In the year 2000-01 the sanction amount was decreased by Rs. 11.91. In the year 2001-02 it was decreased by R. 13.87 so we can see that there is continuously (fall) decrement in the sanction amount till the year 2002-03. In the year 2003-04 we can see the major change in the sanction money. The amount was increased by Rs. 51.32 in the year 2003-04 and the second major increase in the year 2005-06 sanction was Rs. 76.21 crore.

Conclusion

In the present paper represents the evaluation of the small scale development policies of India. In the present paper many parameters used to analysis development policies of India. After finalizing all the parameters regarding policies individually researcher find out all that parameters which are used the evaluate the small scale development policies of India Hence, in the end we can conclude that the development policies of small scale presents the central government and state government initiatives for the development of small scale and MSME enterprises during the period of the study. For the development of MSMEs SIDBI provided various schemes. It has been observed that most of the growth of MSMEs depends upon the government schemes and policies.

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