

An Analysis Of Role Of SIDBI In Facilitating The Growth Of Msmes And Entrepreneurship

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ABSTRACT

The role of micro, small and medium enterprises (MSMEs) in the growth and upliftment of Indian economy is commendable. MSMEs play a very significant role to promote entrepreneurship and increase employment in any developing nation. But, these enterprises also face some major problems, biggest of them being the financial hurdles. Research has shown that MSMEs face troubles in arranging adequate finance due to unawareness and complicated procedures. To address this issue, Small Industries Development Bank of India (SIDBI) was established on April 2, 1990 under the SIDBI Act, 1989. SIDBI helps in promotion, financing, development and coordination activities. The Indian Government has made it mandatory for SIDBI to be the primary financial institution for MSMEs and to fulfill this mandate; SIDBI has divided its role into five major parts i.e. Indirect Landing, Direct Landing, Fund of Fund, Promotion & Development and Facilitator.

This paper is a discussion on the Facilitator role of SIDBI. Under the facilitator part, SIDBI has been assigned the position of Nodal Agency by the government of India for implementing the subsidy related schemes for MSMEs at the root level.

The discussion has been done in two parts : (1) In first part, various schemes of SIDBI which have been implemented for MSMEs over the years has been

discussed on the basis of the data extracted from government websites and Annual Reports of SIDBI and MSMEs .(2) After that, a comparison has been done for subsidy scheme CLCSS between SIDBI and other assigned banks using Z test to know whether SIDBI plays a significant role in providing financial assistance to MSMEs or not, and the result show that there is a significant difference between the number of beneficiaries of SIDBI as compared to the other ten banks over the period of 7 years I.e. 2015-2022. The data has been collected from authentic secondary sources.

INTRODUCTION-

Small Industries Development Bank of India (SIDBI) came into force on April 2, 1990 under an act of Parliament of India. It is the principal financing institution for Micro, Small and Medium Enterprises (MSME) sector and helps in their promotional, financing and developmental activities. SIDBI lends its help to MSMEs in all the fund procurement procedures which are essential for their growth and development, research activities, technology up gradation, market building etc. The Indian Government has made it mandatory for SIDBI to be the primary financial institution for MSMEs and to fulfill this mandate; SIDBI has divided its role into five major parts-

- Indirect Lending – It is done on the basis of multiplier effect in order to reach a larger group of SMEs and to fulfill their financial needs and it is done with the help of various banks, Small Finance Banks (SFBs), Non Banking Finance Companies (NBFCs), Microfinance Institutions (MFIs) and New Age Fin techs.
- Direct Lending – SIDBI has eventually become a complete package of direct fund and non fund based lending products which help all the MSMEs to complete their financial requirements. All the gaps in financing left by banks, SFBs, NBFCs, MFIs etc are covered through the medium of various schemes under direct lending. (Yadav, 2019)

- **Fund of Funds** – This channel helps in fostering entrepreneurship by supporting the emerging start ups and contributing to the Venture Capital corpus which makes it compulsory for the bank to invest a specific amount of this capital in the MSME start ups.
- **Promotion & Development** – This channel is meant for the budding entrepreneurs to promote entrepreneurship through credit plus initiatives. Various activities and steps are taken under this in order to initiate holistic development of MSME sector. .
- **Facilitator** – SIDBI has been assigned the position of Nodal Agency by the Government of India for implementing its subsidy related schemes for MSMEs at the root level.

REVIEW OF LITERATURE

Manish Roy Tirkey and Enid Masih (2017) have assessed the financial performance of SIDBI for small scale industries in Uttar Pradesh and have analyzed promotional and developmental activities of SIDBI which states that SIDBI plays an important role in protecting SSIs from competition and market conditions.

Reji M.A. (2004) found out that the most important problem faced by SSIs is the financial problem and SIDBI can take the required actions for MSMEs in terms of employment, financial support and protection from competition and market forces.

Dhiren Meetei and Soma Devi Moirangthem (2013) states that SIDBI has been the major support to MSMEs in providing services regarding production and credit support.

Sharma S and Dhaliwal K (2011) concluded their article about lending programs of SIDBI and other measures taken for the growth of MSME sector. The growth of MSME has become critical in context of the apex position of SIDBI as it is the primary financial institution for MSMEs. According to the report released, SIDBI's contribution to the MSME sector has significantly increased over time and its performance is favorable for the growth of the sector.

K Shankar Rao, et al (2013) has highlighted SIDBI's achievements in terms of growth of MSME and various difficulties faced by them. A survey conducted by them show that MSME faces a lot of hurdles in their development like lack of financial support, inadequate supply of raw materials, improper infrastructure facilities etc. To overcome all these issues, SIDBI offers various kind of financial support to these MSMEs.

Somal C and Sahu K (2014) studied the role of SIDBI in the growth and development of Indian MSMEs. Their research unveiled that more than 87% of MSMEs face troubles in availing financial help from banks and any other financial institutions due to their complex norms, lengthy procedures, non availability of collateral securities with them and difficulty to comply with the desired documentation etc. So, SIDBI overcomes all these troubles and help them to get all the financial benefits without indulging in such long processes. The analysis have also shown that the number of MSMEs financed by SIDBI have significantly risen during the period of study.

Eswaran N and Meenakshi M (2017) have compared the performance metrics of SIDBI concluding that the growth of interest and non interest costs is slower than long term funds, net profit and total revenue.

Francis S.J. (2019) evaluated the SIDBI's financial results over the period of 10 years from 2007-08 to 2017-18 and his analysis showed that maximum performance indicators have been in an upward trend during the period of study meaning that SIDBI's contribution in the growth of MSMEs have risen significantly.

Mohd. Arif and Kishore K Shukla (2021) have explained the role of SIDBI as a catalyst and facilitator for the MSME's growth and development. To execute this role, SIDBI acts as a nodal agency to execute various schemes of the government related to MSMEs. The financial analysis done by them have shown an upward trend in all the aspects taken under consideration by them. The financial ratios have been used to analyze the values extracted from the data and the results show that bank's contribution in

providing financial assistance to MSMEs is continuously improving.

Keshav M and Jai Shanker S (2022) have highlighted various issues of MSMEs, out of which finance is the major issue. Therefore, SIDBI runs various kinds of programs and offers different loans and launches various schemes to solve their financial hurdles and accelerate their growth process.

Objectives of the Study:

- 1) To study the various subsidy schemes available for MSMEs which are implemented by SIDBI.
- 2) To compare the difference between the performance of SIDBI and other authorized banks in benefitting MSMEs through its subsidy schemes.

Research Methodology:

This study is based on secondary data which has been collected from various authentic government and bank's websites and annual reports of Ministry of MSMEs and SIDBI. For objective 1, various subsidy schemes of government for MSMEs which are executed through SIDBI as a nodal agency are discussed on the basis of information extracted from the government sources and for objective 2, a comparative analysis has been done upon the beneficiaries of chosen subsidy scheme i.e. CLCSS (Credit Linked Capital Subsidy Scheme) between SIDBI and other ten authorized banks viz., Andhra Bank, Bank of Baroda (BOB), Bank of India (BOI), Canara Bank, Corporation Bank, Indian Bank, National Bank for Agriculture and Rural Development (NABARD), Punjab National Bank (PNB), State Bank of India (SBI) and Tamil Nadu Industrial Investment Corporation Ltd. (TIIC) over the period of seven years i.e. 2015-2022. To make the analysis, two sample proportion Z test has been used. This test is used when the proportion of population is unknown and sufficient information is not available for applying chi square test.

Discussion:

SIDBI plays the role of nodal agency for various subsidy schemes launched by the government and helps in the

execution of policies to the ultimate beneficiaries. MSMEs are eligible for both direct and indirect financial help and also, SIDBI helps them by providing benefits of various subsidy schemes which have been discussed below: (Showkat L., Pandey A., 2018)

1) Scheme of Technology Up gradation/Modernization/Setting up/Expansion of Food Processing Industries (FPTUFS)

This scheme was started by the Ministry of Food Processing Industries on April 1, 2007 for upgrading the technologies of food processing industries like milk, oil, fruits and vegetables industries etc and increases their capabilities of processing. According to Annual Report of SIDBI, subsidy value of nearly Rs. 12.92 crore in lieu of 82 claims has been released since the launch of the scheme.

2) Integrated Development of Leather Sector Scheme (IDLSS)

The Ministry of Commerce and Industries launched IDLSS in the month of November, 2005 for the up gradation of leather industry by providing them timely and sufficient finance. Under this scheme, leather and footwear industries are helped to increase the capacity of production and expand the existing leather tanneries to help them compete globally. According to Annual Reports of SIDBI, 1775 claims amounting to nearly Rs. 296.28 crore have been settled since its launch.

3) Technology Up gradation Fund Scheme (TUFS):

On April 1, 1999, The Ministry of Textiles launched Technology Up gradation Fund Scheme (TUFS). According to Annual Report of SIDBI, 346 SIDBI assisted MSMEs have survived claims of Rs. 10.15 crore and under Co-PLS (Co-opted Primary Lending Institutions), 990 claims of Rs. 23.93 crore have been settled.

4) Technology and Quality Up gradation Support to MSMEs (TEQUP):

National Manufacturing Competitiveness Programme (NMCP) is run by Ministry of MSME to increase the competitiveness among MSMEs. NMCP consists of 10 components which are related to Indian products of MSMEs. The main purpose of this program is up gradation of technology, increasing market share of MSMEs at domestic and global level. TEQUP is also one of the components out of the aforesaid 10 components. TEQUP aims at using technologies which are energy efficient so that cost of production can be minimized. According to SIDBI Annual Report 2020-21, 1044 MSME units have got the subsidy of Rs. 81.35 crore under this scheme till March 31, 2021 and this scheme has been merged with the CLCSS scheme.

5) Credit Linked Capital Subsidy Scheme (CLCSS):

This scheme was launched in the month of October 2000, by the Ministry of MSME. The responsibility of providing subsidy claims to MSMEs has been assigned to SIDBI along with other ten banks. The aim behind this subsidy scheme is providing assistance to MSMEs for technology up gradation and advising new units to install the right technology for their enterprises. Till 2021, 40,742 units have been benefitted with Rs. 2605.82 crore under this scheme according to SIDBI Annual Report, 2020-21.

One more related scheme known as **Special Linked Capital Subsidy Scheme (SCLCSS)** was launched by the government but now, all these three schemes viz., TEQUP, SCLCSS and CLCSS have been subsumed under a single scheme named as **CLCS-TUS**.

CLCS-TUS stands for **Credit Linked Capital Subsidy and Technology up gradation Scheme**. The scheme was into operational terms till 31 March, 2020. After that all the technology schemes have been merged and a new scheme known as MSME Champions Scheme has been launched for the period of 5 years i.e. 2021-22 to 2025-26 which consists of three components that are MSME Sustainable (ZED), MSME Competitive (Lean) and MSME Innovative.

Data Analysis and Findings:

In order to measure the role of SIDBI in providing financial help to MSMEs, a comparison has been made in the number of beneficiaries of CLCSS scheme benefitted through SIDBI and other authorized ten banks. The schemes of Ministry of MSMEs have been taken into consideration which consists of two schemes TEQUP and CLCSS but as both of these schemes were merged, the data has been taken under a same heading over the period of 2015-16 to 2021-22. The data has been compiled from the websites of SIDBI and DC-MSME (Directorate of MSME). The following hypothesis has been framed to make the comparison:

Hypothesis

H0: There is no significant relation between number of beneficiaries of CLCSS scheme of SIDBI and other ten banks.

H1: There is a significant relation between number of beneficiaries of CLCSS scheme of SIDBI and other ten banks.

To test the hypothesis, two sample proportion Z test has been used and the test has been applied on the data of number of beneficiaries of CLCSS scheme from SIDBI and other ten banks. For this purpose, the data of all the banks has been totaled in one column and data of SIDBI in other column is compared with the former one.

The following tables show the number of beneficiaries of various banks and the results of Z test respectively.

Table 1: Number of Beneficiaries of CLCSS Scheme

Year/ Bank	Andhra Bank	Bank Of Baroda	Bank Of India	Canara Bank	Corpora tion Bank	Indian Bank	NABAR D	Punjab National Bank	State Bank Of India	TNIC	SIDBI
2015- 16	48	56	384	245	34	56	26	318	289	58	2150
2016- 17	22	360	278	244	147	33	32	82	258	29	2527
2017- 18	128	432	305	355	301	151	41	397	346	115	1456
2018- 19	221	744	632	670	516	365	81	571	637	134	3593

2019-20	480	1514	910	670	273	184	0	331	607	112	3079
2020-21	159	382	640	740	96	489	239	513	1483	38	10700
2021-22	0	1051	10	787	3	2	0	2	31	1	101

(Source: msme.gov.in)

Table 2: Two Sample Proportion Z Test

Year	Number of Beneficiaries of SIDBI (p_1)	Number of Beneficiaries of Other TEN Banks (p_2)	Z Value (Calculated)	Critical Value	Decision on Null Hypothesis
2015-16	2150	1514	10.38	1.96	Rejected
2016-17	2527	1485	16.13	1.96	Rejected
2017-18	1456	2571	17.19	1.96	Rejected
2018-19	3593	4571	11.50	1.96	Rejected
2019-20	3079	5081	22.50	1.96	Rejected
2020-21	10700	4779	42.32	1.96	Rejected
2021-22	101	1887	29.94	1.96	Rejected

The Z value has been calculated using the following formula:

$$Z \text{ (calculated)} = \frac{p_1 - p_2}{\sqrt{p(1-p) \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

$$\text{Where, } p = \frac{p_1 n_1 + p_2 n_2}{n_1 + n_2}$$

Here,

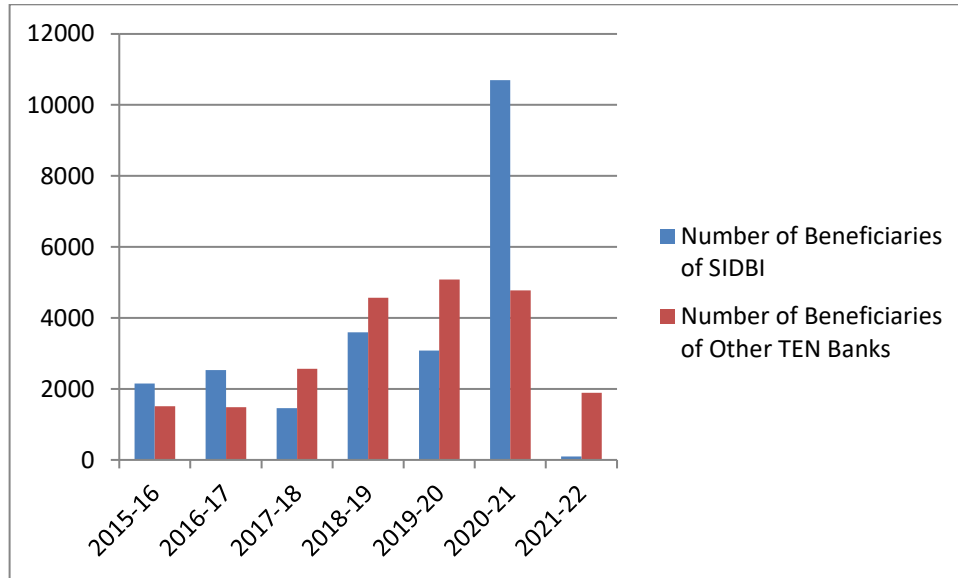
p_1 = population for SIDBI beneficiaries

p_2 = population for other 10 beneficiaries

p = probability of beneficiaries group

n_1 = total population for SIDBI beneficiaries

n_2 = total population for other 10 banks beneficiaries



Graph 1: Distribution of number of beneficiaries of CLCSS scheme

Findings

In the above table, number of beneficiaries of SIDBI and other ten banks have been compared by comparing their Z values with the critical value and if the calculated Z value comes out to be greater than the critical value as in all the above cases, then the null hypothesis is rejected and the alternate hypothesis is accepted.

Hence, it can be said that there is a significant relation between number of beneficiaries of CLCSS scheme of SIDBI and other ten banks and SIDBI plays an important role in supporting MSMEs in their growth and development by providing them access to credit facilities at subsidized rates.

Conclusion

Hence, it is concluded that when compared to the other banks, SIDBI is more proficient in providing benefits of subsidy schemes to MSMEs so that they can update their technology and necessary resources to work more efficiently. Besides providing financial help, SIDBI also help MSMEs in various other dimensions like research activities, technology up gradation, market building etc. SIDBI plays the role of nodal agency for various subsidy schemes

launched by the government and helps in the execution of policies to the ultimate beneficiaries. MSMEs are eligible for both direct and indirect financial help and also, SIDBI helps them by providing benefits of various subsidy schemes like CLCSS, TUFs, FPTUFs, IDLSS, TEQUP etc. On comparing the beneficiaries of CLCSS scheme provided by SIDBI and other authorized 10 banks namely Andhra Bank, Bank of Baroda (BOB), Bank of India (BOI), Canara Bank, Corporation Bank, Indian Bank, National Bank for Agriculture and Rural Development (NABARD), Punjab National Bank (PNB), State Bank of India (SBI) and Tamil Nadu Industrial Investment Corporation Ltd. (TIIC) over the period of seven years i.e. 2015-2022 by applying Z test, it was found that there is a significant difference between the number of beneficiaries of SIDBI as compared to other banks. So, it can be said that SIDBI's role in the growth and development of MSMEs is growing over time.

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