



A comparative study of financial assistance to small scale industries by SIDBI and UP financial corporation

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Abstract

Finance is a major elements for a development like blood in a body. Banking sector has played an important role to development of a country. A lot of institutions provides financial assistance to trade, industries. Small Industrial Development Bank of India (SIDBI) and UP financial corporation plays a significant role in promoting small scale industries. These are a major source of finance for Micro, Small and Medium enterprise which includes various industries and trade. The schemes and policies of SIDBI and UP financial corporation are formed to provide finance to beneficiaries according to requirement of industries. 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. Secondary sources were used in the research. The Majority of the information was taken from the SIDBI Annual Reports and UP financial corporation 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 and UP Financial corporation have performed. Hence in the present paper an attempt to Comparative study of financial Assistance to Small scale industries by SIDBI and UP financial corporation.

Keywords: SIDBI, UP financial corporation, development policies and schemes, assets

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 small scale 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.

B was established in 1954 by the Government of Uttar Pradesh under SFC's Act 1951 (Central Act) to provide support for industrial development in the state of Uttar Pradesh. Since its establishment, Corporation had disbursed loans of Rs.3200 crore to about 40000 industrial units and contributed in investment of about Rs.5000 crore in the state of Uttar Pradesh and helped in employment generation of 821000 persons.

The corporation is presently engaged in implementing various state govt. industrial promotional schemes viz; Audhyogik Nivesh Protsahan Yojana, Infrastructure interest subsidy scheme, capital investment interest subsidy scheme, quality control equipment interest subsidy scheme and contributing an important role towards industrial development of the state.

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 development schemes for financial assistance by UP financial corporation.
2. To Study the role of development schemes for financial assistance by SIDBI.
3. To study of the Comparative financial assistance position of SIDBI and UP financial corporation.

Research methodology

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

Development schemes of U.P. financial corporation

Over the year, the initiatives of U.P. Financial Corporation under the Developmental schemes have crystalized into the following thrust areas *viz.*

- a. Interest free loan in lieu of Trade Tax Deferent scheme
- b. Central Investment subsidy scheme
- c. State Capital Subsidy
- d. Generating Set subsidy

A. Interest free loan in lieu of trade tax deferment scheme

Interest free loan is a lieu of trade tax deferment was introduced in the year 2002 and U.P. Financial Corporation has been nominated 'Implementing Agency' for the units of Small Scale Sector. Managing Director has been authorised by the Board of Directors of the Corporation to sanction loan under the said scheme, sum R.C. in case of default. Under the said scheme, a sum of Rs. 208.65 lacs in 15 cases, Rs. 249.35 lacs in 21 cases Rs. 102.7 lacs in 4 cases, and Rs. 209.57 lacs in 18 cases, Rs. 89.25 lacs in 7 cases have been disbursed during the years 2001-02, 2002-03, 2003-04, 2004-05, & 2005-06 respectively.

B. Central investment subsidy scheme

Central Investment Subsidy Scheme was operative upto 3rd Sept., 1988 Hon'ble Supreme Court of India vide its judgement dated 5.12.95 had ordered that all applications filed upto 30th Sept.,1988 should be considered for grant of central investment subsidy provided the applications so filed were complete in most material particulars. Accordingly security of all such applications was done & requirement of fund was submitted to the Government. A sum of Rs. 112.94 lacs was provided by the Govt. for disbursement to eligible unit in the year 2005-06. Out of which a sum of Rs. 16.99 lacs was disbursed to eligible units and a sum of Rs. 94.48 lacs was refunded to the Government as disbursement of this amount was not found possible in view of the

provisions of the scheme and instructions received from the Directorate of industries Rs. 16.99 lacs disbursed to eligible units has also been reimbursed by the Government of India.

C. State capital subsidy

The state capital subsidy scheme has been in operation for the period between April 1, 1990 & March 31, 1995 a sum of Rs. 107.77 lacs which was provided by the Government during the year hs been utilized by way of disposing all the pending cases. Balance fund has already been returned to Government during the year except a nominal amount of Rs. 70,300/- is retained in want of certain guidelines from the Directorate of Industries, Kanpur.

Development schemes of the SIDBI

The Promotional and Development activities of the SIDBI are constantly being realigned, keeping in view the dyanimic operating environment of the SIDBI as well as the requirement from the national perspective. The promotional and developmental activities primarily aim at enterprise promotion resulting in self-employment as well as creation of additional employment, thus helping achieve the national objective of employment creation. The objective of enterprise promotion is sought to be achieved by the SIDBI through it programmes such as Rural Industries Programme and support to leading entrepreneurship institutes of the country for conducting a number of Entrepreneurship Development Programmes and other related programmes. In addition, SIDBI also endeavours to strengthen the country's SME sector by supporting leading professional institutes by way of corps support for conducting skill-cum-technology upgradation programmes and small industries management programmes.

1. Rural Industries Programme

The rural industries programme of the SIDBI aims at creation of rural employment through enterprises promotion in rural and semi-urban areas and address problems such as rural unemployment, urban migration, under-utilisation of know-how and latent rural resources.\

2. Entrepreneurship Development Programme

The SIDBI's Entrepreneurship Development Programmes aim at promotion of self-employed ventures capable of generating employment opportunities, especially in rural areas targeting less privileged sections of the society like women and SCs/STs.

Strengthening SME sector

With a view to strengthening the SME sector the Bank supports reputed management/technology institution for offering management development programmes *viz.*, Skill-Cum-Technology upgradation programme and small industries management programme. While the former programme aim at enhancing technology profile of SME units, SIMAP targets qualified unemployed as well as industry-sponsored candidates with the overall objective of providing competent managers to the SME sector.

Table 1: Table showing assistance sanctioned of SIDBI & U.P. financial corporation [During the period 1996-97 To 2005-06]

[Rs. in Crore]						
Year	SIDBI	Inc./Dec.	% Growth	U.P. Fin. Corporation	Inc./Dec.	% Growth
1996-97	6485.3	-	-	707.5	-	-
1997-98	7484.2	+998.9	15.4	360.3	-347.2	-49.1
1998-99	8879.8	+1395.6	18.6	106.2	-254.1	-70.5
1999-00	10264.7	+1384.9	15.6	73.2	-33.0	-31.1
2000-01	10820.6	+555.9	5.4	114.3	+41.1	1.4
2001-02	9025.5	-1795.1	-16.6	161.7	+47.4	41.5
2002-03	10903.6	+1878.1	20.8	201.3	+39.6	24.5
2003-04	8246.3	-2657.3	-24.4	94.4	-106.9	-53.1
2004-05	9090.6	+844.3	10.2	4.4	-90	-84.2
2005-06	11974.8	+2884.2	31.7	63.1	+58.7	1334.1

Source: Annual Reports of SIDBI. Annual Report of U.P.F.C.

It is evident from the table-1 that the financial assistance sanctioned of SIDBI and UP financial Corporation. The Assistance sanctioned amount of SIDBI in the year 1996-97 was Rs. 6485.3 crore and sanctioned of U.P.F.C. was Rs. 707.5 crores. Its increased to Rs. 7484.2 which shows the increment of Rs. 998.9 crores @ 15.4% growth rate and in case of UPFC Rs. 360.3 crore decrement showed, Rs. -347.2 crore @ -49.1% growth rate.

In the next year 1997-98 the sanctioned amount of SIDBI was Rs. 7484.2 crore and sanctioned of UPFC was Rs. 360.3 crores. It gone up to Rs. 8879.8 crore which shows the growth of Rs. 1395.6 crore @ 18.6% rate and in case of UPFC fallen down to Rs. 106.2 crore which shows the decrease of Rs. 254.1 crore @ -70.5% growth rate.

In the year of 2004-05 the sanctioned amount of SIDBI was Rs. 9090.6 crore and sanctioned of UPFC was Rs. 4.4 crore in 2004-05. It gone up by SIDBI Rs. 11974.8 crore which shows the increase of Rs. 2884.4 crore @ 31.7% growth rate and in case of UPFC Rs. 63.1 gone up which shows increase

of Rs. 58.7 crore @ 1334.1% growth rate. In last year of study 2005-06 the sanctioned amount of SIDBI was Rs. 11974.8 crore and the sanctioned of UPFC was Rs. 63.1 crore in 2005-06.

It is evident from the table-2 that the disbursement amount of SIDBI and UP financial Corporation. The Assistance Disbursement amount of SIDBI in the year 1996 -97 was Rs. 4584.7 crore and the disbursement of U.P.F.C. was the Rs. 423.1 crore in 1996-97. It increased to Rs. 5240.7 crore which show the increase of Rs. 656 crore and with the growth rate of 14.3%. In case of U.P.F.C. the disbursement amount decrease to Rs. 268.9 which shows the decrease of Rs. -154.2 crore at the growth rate of -36.4%. In the year 2004-05 the disbursement amount of SIDBI was Rs. 6187.8 crore. It increased to Rs. 9099.8 crore which shows the growth of Rs. 2912 crore @ of 47.1% growth rate. In the year 2005-06 the disbursement of SIDBI was Rs. 9099.8 crore and the disbursement of UPFC was Rs. 20.6 crore in 2005-06.

Table 2: Table showing Disbursements of SIDBI & U.P. Financial Corporation [During the period 1996-97 TO 2005-06]

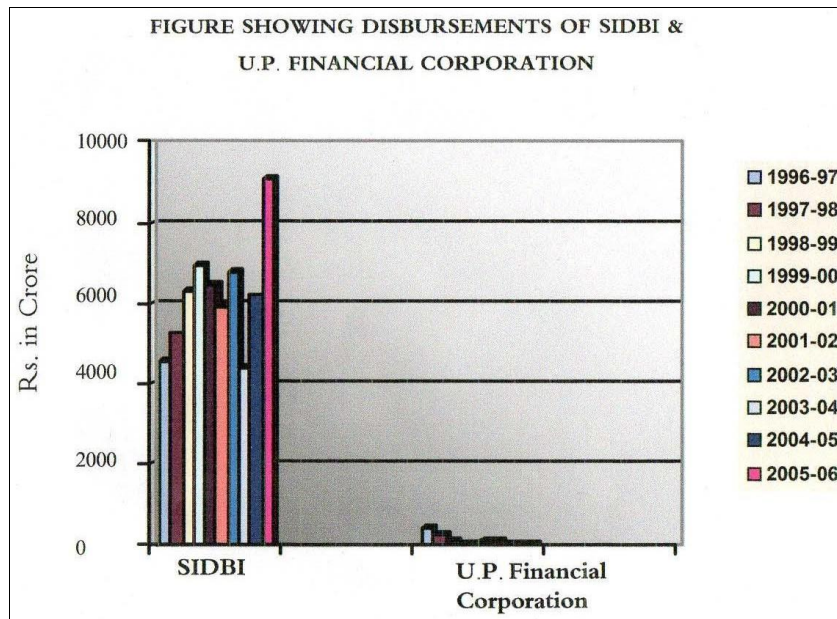
[Rs. in Crore]						
Year	SIDBI	Inc./Dec.	% Growth	U.P. Fin. Corporation	Inc./Dec.	% Growth
1996-97	4584.7	-	-	423.1	-	-
1997-98	5240.7	+656.0	14.3	268.9	-154.2	-36.4
1998-99	6285.2	+1044.5	19.9	128.7	-140.2	-52.1
1999-00	6963.5	+678.3	10.8	69.6	-59.1	-45.9
2000-01	6441.4	-522.1	-7.5	58.4	-11.2	-16.1
2001-02	5919.3	-522.1	-8.1	100.2	+41.8	71.6
2002-03	6789.4	+870.1	14.6	125.2	+25.0	24.9
2003-04	4414.2	-2375.0	-34.9	86.5	-38.7	-30.9
2004-05	6187.8	+1773.6	40.2	12.5	-74.0	-85.5
2005-06	9099.8	+2912.0	47.1	20.6	+8.1	64.8

Sources: Annual Report of SIDBI

Annual Report of U.P.F.C.

Corporation. The Assets of SIDBI in the year 1996-97 was Rs. 13,040.81 crore and the Assets of UPFC was Rs. 1411.00 crore in 1996-97. It increase SIDBI Rs. 13912.12 crore which shows the growth of Rs. 871.31 crore @ of 6.68% growth rate and in case of UPFC Rs. 1586.83 crore gone up which shows the growth of Rs. 175.83 crore @ 12.46% growth rate. In the year 2004-05 the Assets amount of SIDBI was Rs. 18163.75 crore and the Assets of UPFC

was Rs. 1667.23 crore in 2004-05. It increase by SIDBI Rs. 20,352.09 crore which shows the increase of Rs. 2188.34 crore @ of 12.05% growth rate. In case of UPFC. Rs. 1826.78 gone up which shows the increase of Rs.159.55 crore @ of 9.57% growth rate. In the year 2005-06 the Assets amount of SIDBI was Rs. 20352.09 crore and Assets of UPFC was Rs. 1826.78 crore in 2005-06.

Table 3: Evident the Assets of SIDBI and UP financial

Conclusion

In the present paper represents to Comparative study of financial Assistance to Small scale industries by SIDBI and UP financial corporation. In the present paper many parameters used to analysis development schemes of SIDBI and UP Financial Corporation. After finalizing all the parameters regarding schemes individually researcher find out all that parameters which are used to evaluate the small scale development policies of India. Hence, in the end we can conclude that the development schemes of small scale presents the financial assistance to the small scale industries and trade. SIDBI and UP Financial corporation provides a platform for the small scale industries for growth. It has been observed that most of the growth of MSMEs depends upon the SIDBI and UP financial schemes and policies.

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