

# An analysis of Sidbi's Direct Financing Program for MSMEs in Lucknow District

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## Abstract

This study provides a critical analysis of SIDBI's recent involvement in the establishment of Micro, small and medium enterprises. In micro, small and medium units in Lucknow city, the study report proposes the use of direct finance schemes. It's also talked about how SIDBI's direct financing programs have helped small businesses thrive. In order to support the micro, small and medium units in the Lucknow District, this would assist organizations and other stakeholders in taking action.

**Keyword:** Msme, Finance Schemes, Sidbi, Development, Progamam.

## Introduction

### Small Development Bank of India(SIDBI)

The SIDBI Act, 1989, a parliamentary act, established the Small Industries Development Bank of India (SIDBI) in 1990. SIDBI was intended 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," according to the charter that established the organization. Beginning on April 2, 1990, SIDBI assumed responsibility for the outstanding portfolio and small-scale sector-related activities of IDBI. The central government has approved the transfer of fifty-one percent of the equity shares of SIDBI, which were held by IDBI, to public sector banks, LIC, GIC, and other institutions. This transfer was carried out in accordance with the SIDBI (Amendment) Act, 2000. In addition to IDBI, which still owns a 49 percent stake in SIDBI, the company currently has 35 banks, insurance companies, investment firms, and financial institutions as shareholders.

The SIDBI Charter lays out four fundamental goals.

- Financing
- Promotion
- Development
- Coordination

### Micro, Small and Medium Enterprises (MSMEs)

The sector of Micro, Small, and Medium Enterprises (MSMEs) is crucial to the expansion of the Indian economy. Micro Enterprise Where the investment in Plant & Machinery or Equipment does not exceed

one crore rupees and turnover does not exceed five crore rupees. Small Enterprise Where the investment in Plant & Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees. The Ministry of Statistics & Programme Implementation provided the most recent data, which shows that the percentage of MSME Gross Value Added (GVA) in the GDP of all of India for the fiscal year 2021–2022 was 29.2%, and the percentage of MSME manufacturing output in the GDP of all of India for the same period was 36.2%. According to data obtained from the Directorate General of Commercial Intelligence and Statistics (DGCIS), 43.6% of all Indian exports in 2022–2023 were MSME-specified products. Since its launch on July 1, 2020, to August 8, 2023, the Udyam Registration Portal has registered 2,18,69,557 MSMEs, employing 12,84,04,488 people as of August 8, 2023. This includes 30,96,140 unofficial micro businesses with 38,57,385 employees on the Udyam Assist Platform. The Ministry of MSME is conducting MSME Champions Scheme, a Central Sector Scheme. Three components make up the MSME Champions Schemes: MSME-Sustainable (ZED), MSME-Competitive (Lean), and MSME-Innovative (for Incubation, IPR, Design, and Digital MSME). These components aim to reduce waste in Lean Manufacturing, support design enhancement, raise awareness of intellectual property rights, and enable MSMEs to manufacture high-quality products and tools while continuously improving their processes to achieve high productivity and quality with the least amount of environmental impact. Additionally, the scheme seeks to promote and support MSMEs' ideas through Incubation across India. Modernizing MSMEs' manufacturing processes, cutting waste, promoting innovation, enhancing corporate competitiveness, and enabling their national and international reach and excellence are the goals. The main problems preventing the expansion of small-scale enterprises include the aging of technology, inadequate management, late payments, subpar products, high rates of illness, inadequate infrastructure, and a dearth of marketing connections. Strong support services and industry nurturing are required for this sector's steady, profitable expansion. SIDBI endeavors to create a balance between funding and other services to assist in the growth of the small-scale industry.

SIDBI, being the highest authority, utilizes the state financial institution and bank networks that have physical locations to promote the tiny businesses sector's development. The National Advisory Committee and Regional Advisory Committees of the SIDBI have established a mechanism for exchanging ideas and receiving input from institutions representing small-scale industries. To enable a coordinated approach for the growth of micro, small and medium-sized enterprises, SIDBI has signed Memorandums of Understanding (MOUs) with eighteen banks, government agencies, foreign agencies, development institutes, and industrial groups.

### **Statement of problem**

The Indian economy's development dynamic places significant importance on the small-scale sector, encompassing a diverse range of industries. Without a question, it has developed into one of the most important economic sectors. With more than forty lakh units, the small-scale sector, which includes cottage, small, and tiny industries, is essential to the economy. Large-scale employment is not the only benefit; it also ensures a more equitable distribution of income and serves as a useful means of mobilizing resources, such as money and entrepreneurship, that would not otherwise be used. According to the India Economic Survey's 2021–2022 Gross Domestic Product (GDP): According to the study, real GDP growth in 2021–2022 is expected to be 11% and nominal GDP growth of 15.4%. Hence as per the survey throughout the past 50 years, the MSMEs sector has been crucial to the nation's

socioeconomic development. It has made a substantial overall contribution to the increase of exports, employment creation, and GDP. Thus, the growth of the economy as a whole is directly impacted by the small-scale sector's success.

The employment issue in Uttar Pradesh, the state with the highest population, is particularly severe. To significantly reduce unemployment and promote economic growth, small-scale sector development is crucial. In comparison to all of India, the small-scale sector in Uttar Pradesh performed poorly in terms of size and factor productivity. Thus, U.P.'s minor industry growth is not particularly noteworthy. According to the results of the third All-India Census of Small-scale Industries, U.P. is the state that is home to about one-fourth of all the sick small-scale industrial units in the nation. Lack of funds is one of the primary causes of illness. Despite its critical role in industrialization and enormous potential to create jobs, tiny sectors face a number of challenges. The issue, which remains a significant barrier to the industry's growth, is a deficiency of timely and sufficient credit. Up to 2015-16, Tamil Nadu led the southern states in cumulative disbursements from all India financial institutions with 7.7%, closely followed by Andhra Pradesh and Karnataka at 6.3% each. One and a half percent of all financial institution disbursements in India went to U.P. Because small industrial units in developing nations have poor capital formation, an unorganized capital market, and gaps between the supply and demand for financing, institutional finance plays a significant role in these economies.

### Review of Literature

**AlGhamdi R, Nguyen J, Nguyen A, Drew S.** Factors influencing e-commerce adoption by retailers in Saudi Arabia: A quantitative analysis. *Int. J Electron Commer Stud.* 2012;3(1):83-100.

**Oladejo MO, Adereti AS.** The impact of information technology on the performance of microfinance institutions in India. *J Econ Dev. Manag. Stud.*, 2010, 1(1).

**Charoenrat T, Harvie C, Amornkitvikai Y.** Thai manufacturing small and medium sized enterprise technical efficiency: Evidence from firm-level industrial census data. *Journal of Asian Economics.* 2013 Aug 1;27:42-56

**Eswaran N and Meenakshi M (2017)** The performance metrics of SIDBI, such as net profit, longterm fund, non-interest income, and total revenue, increased significantly faster than non-interest costs and interest.

**Showkat Ahmad and Mohd Rafiq, 2018** finds in their research The Indian Small Industries Development Bank stimulates the country's economy by lending money to a range of micro, small, and medium-sized businesses. Roughly 68% of the MSME units received funding from SIDBI, whereas 32% of units do not receive funding from SIDBI.

**Francis S. J. (2019)** examines the financial results of SIDBI from 2007–2008 to 2017–2018. According to the analysis, most performance indicators showed an upward tendency over the time period under investigation.

**Chandra Sekhar Mund (2020).** Their findings a credit guarantee is a crucial risk-reduction strategy that gives lenders wiggle room when financing to MSMEs. For MSME loans, CGTMSE has currently developed credit guarantee programs. This essay aims to illustrate how one might obtain institutional financing by taking advantage of the Credit Guarantee Scheme.

**Gorkhe M (2021)** in her paper analyzed the performance of SIDBI. According to the study, SIDBI's performance has been getting better over time. The goal of enabling MSMEs is also in line with the numerous SIDBI policies.

**Research Methodology**

**Objective of research**

- To assess SIDBI's direct funding has affected the growth of micro ,small and medium-sized industries.
- To evaluate SIDBI's financial support for promotional and developmental initiatives

**Scope of study**

SIDBI's direct financing role in the growth of MSMEs in the Lucknow district of Uttar Pradesh is the focus of the current inquiry. The investigation also analyzes the organization's various strategies and policies to ascertain the extent of direct financing available to MSMEs.

**Hypothesis testing**

**H1-** SIDBI's direct financing in Lucknow District benefits the MSMEs units.

**H0-** SIDBI's direct financing in Lucknow District is not benefits the MSMEs units.

**Research Design**

The design of research is inherently exploratory. This study examines the role that SIDBI plays in the growth of small-scale enterprises and how it affects MSMEs. Structured questionnaire are used as research instrument and 80 units of MSMEs in Lucknow district of uttar pradesh were selected randomly as sample size in this research paper

**Data collection sources**

- **Primary data:-** These information was gathered by surveying small-scale industries using questionnaires.
- **Secondaary data:** - Secondary data and information on the research were also needed. These were gathered from a number of previous research projects as well as other credible sources, including newspapers, periodicals, reports, and websites.

**Data analysis and Interpretation**

**Table:-1 Benefited from any SIDBI direct financing program**

	Frequency	Percent	Valid percent	Cumulative percent
<b>Yes</b>	21	25.0	25.3	25.3
<b>No</b>	59	73.8	74.7	100.00
<b>Total</b>	80		100	

Table 1 indicates that, at just 21%, MSMEs in Lucknow appear to be less familiar with the SIDBI direct finance initiative.

**Table :-2 Direct funding from SIDBI: Its utility for MSMEs**

	Frequency	Percent	Valid percent	Comulative frequency
<b>Completely Disagree</b>	0	0	0	0
<b>Disagree</b>	61	76.2	5	5
<b>Agree</b>	5	6.3	25	30

<b>Completely Agree</b>	12	15	60	90
<b>No Opinion</b>	2	2.5	10	100
	<b>80</b>	<b>100</b>	<b>100</b>	

Table 2 indicates that a mere 15% of small size industries appeared to have been happy with the SIDBI direct finance arrangement. 2.5 percent were indifferent. 6.3% agreed, while 76.2% disagreed.

**Hypothesis Testing**  
**Benefited from any SIDBI direct financing program**

	<b>Observed N</b>	<b>Expected N</b>	<b>Residual</b>
<b>Yes</b>	21	39.5	-19.5
<b>No</b>	59	39.5	19.5
<b>Total</b>	80		

**Test Statistics**

<b>Benefited from any SIDBI direct financing program</b>	
<b>Chi- Squire Test</b>	19.253a
<b>Df.</b>	
<b>P-value</b>	.000
a. There are zero (.0%) cells with anticipated frequencies less than 5. The anticipated minimum cell frequency is 39.5.	

Here, the null hypothesis—which was—is readily rejected according to the Chi square test.

**H1-** SIDBI's direct financing in Lucknow District benefits the MSMEs units.

Thus, in order for us to accept the alternative theory that is-

**H0-** SIDBI's direct financing in Lucknow District is not benefits the MSMEs units.

**Findings:**

- Only 21% of the 80 small-scale enterprises have used SIDBI's direct financing programs.
- In the Lucknow District, 76.2% of MSMEs expressed dissatisfaction with SIDBI's direct financing schemes.
- The majority of MSMEs units (59%) were not aware of SIDBI's direct financing programs.

**Conclusion-**

SIDBI has worked hard to support small businesses in Lucknow City, but greater awareness is required to encourage MSMEs in the Lucknow region. In order to strengthen the financial standing of small scale businesses in the Lucknow district, SIDBI should also offer the appropriate guidance and training.

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