



Profit of Entrepreneurs thought sidbi : challenge and opportunities for Economics Growth in India

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PROFIT OF ENTREPRENEURS THROUGH SIDBI: CHALLENGES AND OPPORTUNITIES FOR ECONOMIC GROWTH IN INDIA

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Abstract - The entrepreneur is one who drives the process of economic growth and mediates the inputs and outputs of the economic system. In the broadest sense, an entrepreneur may be describe as a person who identifies opportunities for improvement, mobilizes resources and implement actions to capitalize on those opportunities. Despite the rapid growth and broadening of microfinance and the financial sector at large, in the past few years, it is estimated that over three billion people globally still lack access to a broad range of financial products and services on a sustainable basis. It is evident from the literature that to run an MSME, support from financial institutions like SIDBI for fostering entrepreneurship is strongly required. MSME entrepreneurs to start business in Madhya Pradesh and also identifying the problems facing by the MSME entrepreneurs in Madhya Pradesh with regarding loan availing from the SIDBI and their perception towards SIDBI support.

Keywords: Entrepreneur, SIDBI, Economic Growth.

1 INTRODUCTION

An entrepreneur was perceived as a person who entered into a contractual arrangement with the government to perform a service or to supply stipulated products. Since the contract price was fixed, any resulting profit or losses were the. In the 18th century, the person with capital was differentiated from the one who needed capital. In other words, entrepreneur was distinguished from the capital providers (the present day venture capitalist). One reason for this differentiation was industrialization occurring throughout the world. Many of the inventions developed during this time were reaction to the changing world. In late 19th and early 20th centuries, entrepreneurs were frequently not distinguished from managers and were viewed mostly from an economic perspective.

The entrepreneur organizes and operates an enterprise for personal gain. He pays current prices for the materials consumed in the business for the use of the land, for the personal services he employs, and for the capital he requires. He contributes his own initiative, skill and ingenuity in planning, organizing and administrating the enterprise. He also assumes the chance of loss and gain consequent to unforeseen and uncontrollable circumstances. The net residue of the annual receipt of the enterprise after all costs have been paid, he retains for himself. According to Richard T. Ely and Ralph The function of the entrepreneur is to reform or revolution the pattern of production by exploiting an invention or, more generally, an untried technological method of producing a new commodity or producing an old one in new way, opening a new source of supply of materials or a new outlet for products, by organizing a new industry.

2 MEANING AND CONCEPT OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

Small Industries Development bank of India (SIDBI) was set up on April 02, 1990 under an Act of Indian parliament, SIDBI is the principal financial institution for the promotion, financing, development of Micro, Small and Medium Enterprise (MSME) sector and for co-ordination of the function of the institutions engaged in similar activities. Introduction In order to enhance the Small scale sector in the Indian economy, there is a need to establish a separate institution which will exclusively realize the demands of small scale enterprises all over the country.

In view of that, the government of India instituted Small Industries Development Bank of India (SIDBI) under section 3(1) of Small Industries Development Bank of India Act, 1989 as a wholly owned subsidiary of Industrial Development Bank of India (IDBI). After the establishment of SIDBI, all duties related to small scale industries which were earlier performed by IDBI have been shifted to SIDBI. The activities of SIDBI, as they have evolved





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over the period of time, now meet almost all the requirements of small scale industries which fall into a wide spectrum. "To facilitate and strengthen credit flow to MSMEs and address both financial and development gaps in the MSME eco-system." To emerge as a single window for meeting the financial and development needs of the MSME sector to make it strong, vibrant and globally competitive, to position SIDBI Brand as the preferred and customer friendly institution and for enhancement of shareholder wealth and highest corporate value through modern technology platform. The charter establishing SIDBI, the SIDBI 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-ordinates the functions of the institutions engaged in the promotion and financing or developing in the small scale sector and for matters connected therewith or incidental thereto." SIDBI retain its position in the top 30 Development Banks of the world in the ranking of The Banker, London. As per the May 2001 issue of The Banker, London SIDBI ranked 25th both in terms of capital and assets. The business domain of SIDBI consists of MSME; its contribution is significant in national economy, in terms of production, employment and export. In year 1991 amount sanctioned is Rs. 2410 crore and disbursed is Rs. 1839 crore and in year 2012 amount sanctioned and disbursed i Rs. 49910 crore and Rs. 41160 crore respectively. SIDBI with a vast network of around 31 million enterprises, manufacturing more than 6000 products, creating employment about 73 million, contributing about 40% of manufacturing output and export, directly and indirectly. With a potential for creating employment and poverty reduction, the MSME sector can play a role of catalyst to achieve "Faster, Sustainable and more Inclusive Growth", as envisioned by 12th Five Year Plan. MSME contributes greatly to the growth of Indian economy. In addition, SIDBI's assistance also flows to the service sector including transport, healthcare, tourism etc.

3 STATEMENT OF PROBLEM

Despite the rapid growth and broadening of microfinance and the financial sector at large, in the past few years, it is estimated that over three billion people globally still lack access to a broad range of financial products and services on a sustainable basis. It is evident from the literature that to run an MSME, support from financial institutions like SIDBI for fostering entrepreneurship is strongly required. The development of MSMEs in India, particularly in Madhya Pradesh State which is under study still remains a puzzle for the industrial sector and its impact on the economy. There are limited studies that have been done to highlight the factors that influence agent banking adoption among commercial banks. For instance, Mitchell (1995) established that extensive use of emergent banking delivery channels have made banking services convenient to bank customers. Kumar et al. (2006) explored expansion of the bank outreach through correspondent banking in Brazil. Similarly, Hernandez-Coss (2009), In this background, current study is necessary to highlight the factors which influencing the MSME entrepreneurs to start business in Madhya Pradesh and also identifying the problems facing by the MSME entrepreneurs in Madhya Pradesh with regarding loan availing from the SIDBI and their perception towards SIDBI support.

3.1 The Need and Importance of the Study

The Economic development of any country depends on the extent to which its financial system sufficiently and effectively mobilizes and allocates Resources for maximum profit. Thus, there is an obvious need for higher level of professionalism in sensing opportunities, making plans and managing the entrepreneurial ventures to succeed. The need to manage the entrepreneurial enterprises more effectively in the present era is more than ever before.

In our country there is no dearth of resources, whether material or human. What is essentially lacking is effective management. It is a myth that management skills are primarily required for large sized firms. There is a great need for importing managerial skills to a very large number of persons who are either currently employed in, or are potential/operational owner managers of small business enterprises. Management techniques applied in large firms cannot just simply be scaled down to be applied to the



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small scale firms. There is a need for appreciating the issues, problems and prospects of small business firms/enterprises/factories in more realistic setting.

SIDBI play an important role in promotion, financing, development of MSME and coordinating functions of institutions engaged in similar activities. Its sphere of activities includes:

1. Direct finance operations to MSME and service sectors besides infrastructure.
2. Indirect finance by way of resource support to Banks, SFCs, and other Central financing/Development Agencies, Development of Micro Credit Institutions.
3. Promotion of Associates Institutions like venture capital, rating agencies, credit guarantee fund, asset Reconstruction Company and so on.

The importance of the study is evident from the fact that SIDBI gives fillip to MSME which play a significant role as the growth engines of the Indian Economy. In fact, MSME have been playing a critical role in the socioeconomic development of the country, with main objectives of mass employment generation, low investment, import substitution and export promotion labor intensive mode of production, capacity to develop indigenous technology and high contribution to domestic production. Since MSME is playing a greater role in developing the MSME sector, there is a greater need for doing this study.

3.2 Objectives of the Study

1. To find out the challenges and opportunities of SIDBI.
2. To find out the Profit earn to Entrepreneur through SIDBI.
3. To find out the role of SIDBI for entrepreneurship development.
4. To find out the Role of SIDBI in Economic Growth.

3.3 Hypothesis of the Study

1. There is no significant relationship between entrepreneur and business, income, expenses, net profit of SIDBI.
2. There is no significant relationship between number of branches of SIDBI and business, income, expenses and net profit of SIDBI.

3.4 Rationale of the Study

Firstly, the study will assist Industries development banks in Indore Region identify and monitor the factors influencing development of Entrepreneurship. Those factors relating to institution's ability to provide the conditions conducive to the introduction and acceptance of innovations could be used to map out an institutional framework for adoption. The research findings will help in development and growth of entrepreneurship. Secondly, the research will help suggest possible solutions and strategies to the monitoring development of banks. Thirdly, the study will contribute to the body of knowledge and to adding information on the banking industry.

AGGREGATED AMOUNT OF CAPITAL SUBSIDY CLAIMED AND NUMBER OF UNITS UNDER CLCSS (2006-07 to 2017-18)

YEARS	CUMMULATIVE CAPITAL SUBSIDY CLAIMED (in Cr)	CUMMULATIVE NUMBER OF UNITS (in No.)
2006-07	96	3065
2007-08	145	4027
2008-09	197	4964
2009-10	263	6067
2010-11	366	7772
2011-12	463	9319
2012-13	619	11853
2013-14	830	15355
2014-15	1072	18852
2015-16	1289	21521
2016-17	1412	23832
2017-18	1511	25313

Source: Annual reports of SIDBI 2007-08 to 2017-18



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If we look at the details of the last 12 years, it is known that in the year 2011-12, an amount of 463 crores was CUMMULATIVE CAPITAL SUBSIDY CLAIMED Similarly, in the year 2017-18, an amount of 1511 crore was CUMMULATIVE CAPITAL SUBSIDY CLAIMED.

4 RESULT TABLE AFTER EVALUATION

YEARS	CAPITAL SUBSIDY CLAIMED		NUMBER OF UNITS		AMOUNT OF CAPITAL SUBSIDY CLAIMED PER UNIT	
	AMOUNT (in Cr.)	YGR (%)	UNITS (In No.)	YGR (%)	AMOUNT (in Cr.)	YGR (%)
2006-07			971		0.050	
2007-08	49		937	-03.50	0.055	10.00
2008-09	52	6.12	1103	17.72	0.061	10.91
2009-10	67	28.85	1705	54.58	0.060	-01.64
2010-11	103	53.73	1547	-09.27	0.063	05.00
2011-12	97	-05.83	2534	63.80	0.062	-1.59
2012-13	156	60.82	3502	38.20	0.060	-03.23
2013-14	211	35.26	3497	-00.14	0.069	15.00
2014-15	242	14.69	2781	-20.47	0.064	-07.25
2015-16	178	-26.45	2308	-17.00	0.053	-17.19
2016-17	123	-30.90	1484	-35.17	0.067	26.42
2017-18	99	-19.51			0.664	
Total	1377		22369		0.060	
Average	125.18		2033.55		03.00	
CAGR	07.00		04.00		0.006	
SD	64.243		950.080		09.55	
CV	51.32		46.72			
CORRELATION (r)		0.986				

VERY STRONG POSITIVE RELATION

4.1 Scope of the Study

The MSMEs operating in India are not shielded and are vulnerable to typical difficulties and constraints of MSMEs like any other MSMEs in India, except for those of other developed countries. Any country in the world promotes and assists the MSMEs that are established in respective countries to foster industrial and economic growth and development. The governments focus on providing aid to those MSMEs that lack funds and required assistance. The assistance is usually provided by governmental agencies or institutions in the form of facilities and supportive services than providing protection and subsidies. Other services provided by some governments include venture capital, commercial finance, infrastructure and tax incentives, information training and retraining, and Research and Development (R & D) support. Some of these facilities are provided through industry associations and local authorities at times along with Non-Governmental Organizations (NGOs).

Recognizing the roles played by MSMEs in order to provide economic growth and development, government in Madhya Pradesh initiated various programmers that were aimed at promoting the cause of MSMEs in the state. The most important incentive that was worked upon was enhancing the financial opportunities for the MSMEs through the assistance of financial institutions.

MSMEs in Madhya Pradesh have not performed creditably well and hence have not played the expected vital and vibrant role in the economic growth and development of India. This circumstance is weightier and it causes more concern to the operators, practitioners, government, organized private sector groups and the citizenry.

It is observed every year that significant interest and crucial role of the MSME sub-sector is recognized by the central and state governments including local authorities through policies, budgetary allocations, and pronouncements and therefore have formulated policies for strengthening the same. It is imperative that there exist fiscal grants, incentives, bilateral and multilateral agencies assistance and support with specialized institutions putting significant efforts towards making the MSME sub-sector dynamic. A number of support institutions have been set up by central and state governments to help the entrepreneurial activities in various ways. The operations blanket a broad range of



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services like technical guidance, financing, training, equipment support, providing subsidy and grants and marketing remain unexploited.

The study is conducted in the selected districts of the Madhya Pradesh to identify problems faced by MSME units in order to access to the financial support from the SIDBI and also to highlight the prospective elements of these units. This study is mainly focused on the perception of the MSME entrepreneurs towards institutional support provided by the SIDBI in the form of facilities and supportive services than providing protection and subsidies for the strengthening them and make them sustain in the market.

4.2 Limitations of the Study

Like any other study, the current study also has certain limitations which are as follows:

1. Some of the entrepreneurs were showing disinclination to disclose correct information pertaining to their business. This may come as barrier in pursuing the research work.
2. The financial performance evaluation carried out by the researcher is time and situation specific.
3. The inferences drawn may not possess the quality of universal application. Hence, these are applicable only in relation to study area.
4. There were biases on the part of respondents including both the MSMEs and the Financial Institutions surveyed.
5. The issue of lack of understanding on the part of MSMEs crept in and caused difficulty in conducting survey.
6. There was casualness created as the respondents provided a few wrong responses during filling the questionnaire.

5 CONCLUSION

The MSMEs loan scheme provided by Small Industries Development Bank of India shows positive results in the growth and development of the state. The impact of priority sector on employment level shows a significant increase with the income of the borrowers thereby further improving their economic and social status. Further results show an increase in the satisfaction level of the beneficiaries.

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