
Industrial Sickness And Role of SIDBI in Rural Industrialization

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Introduction

It is a real fact that more than 70% of Indian population resides in rural areas of our country. But the majority of that population is still backward due to less support of external environment. The quoted quote that "wheel is the symbol of development" is proven false in case of Rural India because there is lack of development which may be because of unfair political environment and government negligence. SIDBI is an apex financial institution which provides financial support to the sick / small scale industries. So, we can say that SIDBI is the institution which engaged in the business of rural industrialization in India.

The small Industries Development Bank of India is Principal Financial institution engaged in development initiative in rural sector and improving the SSI unit. The another very important role is keeping by this Bank is that it is also encouraging SSIS and generating employment in rural India. The Bank also performing the rehabilitation duty and improving the performance of small Industries.

Industrial Sickness In India

Industrial sickness specially in small-scale Industry has been always a demerit for the Indian economy, because more and more industries like – cotton, Jute, Sugar, Textile small steel and engineering industries are being affected by this sickness problem.

As per an estimate 300 units in the medium and large scale sector were either closed or were on the stage of closing in the year 1976. About 10% of 4 lakhs unit were also reported to be ailing. And this position also remain same in the next decades. At the end of year 1986, the member of sick units in the portfolio of scheduled commercial banks stood at 1,47,740 involving an out standing bank credit of Rs. 4874 crores.

- * Where the total number of large Industries which are sick were 637 units at the end of year 1985 increased to 714 units in the end of next year 1986.
- * Likewise on the other hand the number of sick small scale units were also increased 1.18 lacks at the end of 1985 to 1.46 lakhs at the end of 1986.
- * The bank amount which was outstanding in case of large industries for the same period also increased from Rs.2,900 crores to Rs. 3287 crores at the end of year 1986
- * Dues of Small Scale sector also increased from Rs.1071 crores to Rs.1306 at the end of the year 1986.
- * Of the 147, 740 sick industrial units which contains large medium as well as small scale involving the total bank loan (credit) of Rs. 4874 at the end of the year 1986.

Causes Of Sickness Of SSI's

Most of the Indian authors and researchers have classified the different types of industrial sickness under two important categories. They are :

1) Internal Cause for sickness

We can say pertaining to the factors which are within the control of management. This sickness arises due to internal disorder in the areas justified as following:

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- a) Lack of Finance: This including weak equity base, poor utilization of assets, inefficient working capital management, absence of costing & pricing, absence of planning and budgeting and inappropriate utilization or diversion of funds.
- b) Bad Production Policies : The another very important reason for sickness is wrong selection of site which is related to production, inappropriate plant & machinery, bad maintenance of Plant & Machinery, lack of quality control, lack of standard research & development and so on.
- c) Marketing and Sickness : This is another part which always affects the health of any sector as well as SSI. This including wrong demand forecasting, selection of inappropriate product mix, absence of product planning, wrong market research methods, and bad sales promotions.
- d) Inappropriate Personnel Management: The another internal reason for the sickness of SSIs is inappropriate personnel management policies which includes bad wages and salary administration, bad labor relations, lack of behavioral approach causes dissatisfaction among the employees and workers.
- e) Ineffective Corporate Management: Another reason for the sickness of SSIs is ineffective or bad corporate management which includes improper corporate planning, lack of integrity in top management, lack of coordination and control etc.

2) External causes for sickness

- a) Personnel Constraint: The first for most important reason for the sickness of small scale industries are non availability of skilled labor or manpower wages disparity in similar industry and general labor invested in the area.
- b) Marketing Constraints: The second cause for the sickness is related to marketing. The sickness arrives due to liberal licensing policies, restrain of purchase by bulk purchasers, changes in global marketing scenario, excessive tax policies by govt. and market recession.
- c) Production Constraints: This is another reason for the sickness which comes under external cause of sickness. This arises due to shortage of raw material, shortage of power, fuel and high prices, import-export restrictions.
- d) Finance Constraints: The another external cause for the sickness of SSIs is lack of finance. This arises due to credit restrains policy, delay in disbursement of loan by govt., unfavorable investments, fear of nationalization.

Lending (Financing Schemes Of Sidbi)

A) Direct Financial Assistances

For the development of Industrial infrastructure for SSIs

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|-------------------------------------------------|---------------------------------------------------|
| * Venture capital/development scheme | * Short term & long term loan schemes |
| * Equipment Finance Scheme | * Direct Discounting of bill |
| * Integrated Infrastructural Development Scheme | * TDMF Schemes |
| * Project Finance Scheme | * Factoring scheme |
| * Schemes related to Marketing of SSI's Product | * Pre & Post shipment financial assistance scheme |
| * ISO 9000 Scheme | * Export bill financing scheme & so on |
| * Micro credit financing scheme | |

B) Indirect Finance by SIDBI

I) Refinance Assistance

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|-----------------------------------------------------------------|-------------------------|
| a) Composite loan scheme for cottage, Village & tiny Industries | c) SEMFEX Scheme |
| b) Scheme for women entrepreneurs Mahila Udyam Nidhi | d) Single window scheme |
| | e) RTDM Scheme |
| | f) RISO-9000 Scheme |

- g) NEF Scheme
- h) RSR Scheme
- i) Scheme for SRTOs
- j) Scheme for ST/SC & Physically Challenged
- k) Other General Schemes

II) Scheme for Rediscounting of bills

- a) For equipments
- b) For Inland supply bills

III) Other support through various institutions

- a) SFC's, SIDC, SSIDC, Bank to Intermediaries
- b) To leasing / hire purchase companies.
- c) To factoring companies
- d) To special corporate entities and institutions which are engaged in the business of development of SSIs

Sector Appraisal

In general we can say that the small scale sector of India has grown slowly and occupied the very important position in the Indian economy. The small scale sector is providing employment to the rural unemployed people. The number of registered units in the SSI sector has increased from 0.42 million as at end of March 1974 to 03.37 million at the end of year 2001 march. It means the sector has achieved the growth of 2.95 millions in the period of 27 years. But we have also unregistered small scale Industries who were working and their contribution was also very valuable for the economy.

The small scale sector is also playing significant role by their contribution to the socio-economic objective which is related to the

- employment generation
- Output
- Export &
- Fostering Entrepreneurship

It is well to say that the small scale sectors account for around 95% of the industrial units in the country contributing 40% of the manufacturing sector output and near by 1/3 of nations export. In the area of employment generation the small scale sector has provided employment with the help of their more than 3.37 million modern small scale units around 1.86 million peoples.

Bank Credit To Small Scale Sector

The commercial and rural regional banks as well as co-operative banks have been regular finance providers for the small scale sector. The interest charged to the small scale units located in backward have to pay the rate of interest @12.5% p.a. Where the units which are situated in developed areas they can get finances at rate of 13.50% p.a. interest on the loan amount up to Rs.25 lakhs and @ 14% if they are taking the loan more than 25 lakhs. SIDBI with the mode of its refinance and rediscount provided and providing financial assistance to the sector. The Bank SIDBI through SFC's, SIDC's and other RRB's providing finance to the developing sector. The small scale sector specially the small scale units are getting refinance facility through SIDBI & its subsidiaries more than 85%.

Table No:-1 -Total Bank Credit (Rs. In Crores)

Year	Credit To Industry	Credit To Ssi"S	% Share Of Ssi's
2001	61576	17118	14.72
2002	65240	17830	14.47
2003	78662	20026	13.17
2004	80482	22620	13.75
2005	102953	27612	13.05
2006	124937	31726	12.49
2007	138548	34113	12.25
2008	161038	43508	13.43
2009	178799	48483	17.88

Source :- SDBI 2010

The apex financial institution in the field of development of small scale sector The bank (SIDBI) by the mode of refinance discounting and rediscounting as well as financial assistance through indirect & direct functions encouraging the rural India.

Table No:- 2 Assistance By SIDBI To SSI's (Rs. In Crores)

YEAR	SANCTIONED	DISBURSMENT
1999	2408.7	1838.5
2000	2846.0	2027.4
2001	2909.2	2146.3
2002	3356.3	2672.7
2003	4706.3	3389.8
2004	6065.6	4800.8
2005	6485.3	4584.7
2006	7484.2	5240.7
2007	8879.0	6285.2
2008	10265.0	6964.2
2009	10821.0	6441.0

At the end of year 2009 March, SIDBI has sanctioned Rs.66299 crores and disbursed Rs.46,392 crores by the various mode of its services like – Refinance, Bills rediscounting, other scheme and direct finance. With its refinance scheme the name has sanctioned Rs.22792.3 crores and disbursed Rs.17225.2 crores.

With bill discounting facility the bank has sanctioned Rs.2260.8 crores and Rs.1622.9 crores disbursed to the sector. With its direct finance scheme SIDBI has sanctioned Rs. 12,975.6 crores for the SSI's and disbursed Rs. 9948.6 crores. From its other various schemes bank has sanctioned Rs. 7115.1 crores and disbursed Rs. 4190.3 crores for the development of SSI's till year 2009.

SSIs AND FIVE YEAR PLANS

When the First Five Year Plan introduced the industrial base of India was not so good and was very limited. Generally, the industrial development based on consumer goods producing industries. Some important industries of that period were cotton industry, paper industry, salt industry, sugar industry, soap industry and

leather industry which were facing a lot of financial and technological problems and fighting for their survival.

When the Government of India had introduced Second Five Year plan it was given first priority to the industrialization in rural, semi-urban and areas of our country. That was a good decision. But, it is sad to say that the government has given priority to all the large scale and heavy industries and neglected the small scale sector which cause the sickness in small scale industries.

After neglecting in 3rd, 4th, 5th, 6th, 7th, and 8th Five Year plans, we can say more than 25-30 years the government realized its mistake and then they had taken actions for rehabilitation of small sick industries by technological reform with sufficient credit facilities and various training programs for the workers engaged in small scale sector. The industries like power looms, handlooms, coir, sericulture and silk, handicrafts and other similar industries got affected due to the negligence of the government which results sickness in small scale sector.

If we go through the business area of SIDBI we find that SIDBI governs small scale industrial units which contribute significantly to the national economy in terms of production employment and exports via rural development through rural industrialization.

Conclusion

In conclusion we can say that the SIDBI, by the mode of refinancing, discounting and rediscounting as well as financial assistance through indirect functions regarding lending to primary institutions, through its direct assistance to small units and through its various developmental and supporting services, encouraging small scale sector in Rural India.

SIDBI obviously engaged in the business of reforming SSIs with its different Rural Industrialization Programs (RIP) with the following aims:

- * Expansion of small scale sector and increase its share in industrial output.
- * Development of rural areas where more than 70% of the population resides.
- * Increase the efficiency of SSIs.
- * Increase the contribution of SSIs in export.
- * More employment generation in rural areas of rural India.

By keeping in mind the optimistic approach, we can say that SIDBI will provide better and essential services for the betterment of SSIs with its rehabilitation programs and Rural Industrialization Programs (RIP) and then the quoted quote will prove true that "Wheel is the symbol of development".

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