CHAPTER VII

SUMMARY OF FINDINGS AND SUGGESTIONS

7.1 INTRODUCTION

The economic development of any country depends on the extent to which its financial system efficiently and effectively mobilizes and allocates resources. There are a number of banks and financial institutions that perform this function. Development banks are the unique financial institutions that perform the special task of fostering the development of a nation, generally not undertaken by other banks. The need for development financial institutions was felt very strongly immediately after India attained her independence. The country needed a strong capital goods sector to support and accelerate the pace of industrialization. The existing industries required long-term funds for their reconstruction, modernisation, expansion and diversification programmes while the new industries required enormous investment for setting up gigantic projects in the capital goods sector. However, there were gaps in the banking system and capital markets, which needed to be filled to meet this enormous requirement of funds. Hence to fill up the gaps, the new institutional machinery was devised namely special financial institutions, which would provide the necessary financial resources and know-how so as to foster the industrial growth of the country.

The first step towards building up a structure of development financial institutions was taken in 1948 by establishing Industrial Financial Corporation of India Limited (IFCI). Development Finance Institutions (DFI) or development banks starting with Industrial Finance Corporation of India and State Finance Corporations to assist the promotion and financing of fixed assets of industrial units have been in
existence since 1948. Until the emergence of a vibrant capital market in the 1990s, development banks, for almost four decades, played a vital role in promoting an industrial structure conforming to national priorities, located in backward areas and encouraging entrepreneurs. Now, at the All India level, there are three Industrial Development Banks namely Industrial Investment Bank of India, Industrial Finance Corporation of India Ltd., and Small Industries Development Bank of India. SIDBI as the subsidiary of IDBI was set up in 1990 under an Act of Parliament namely SIDBI Act, 1989. Subsequently, SIDBI was de-linked from IDBI with effect from March 27, 2000 after the enforcement of SIDBI (Amendment) Act, 2000. The Bank continues to maintain the growth in its credit disbursement to MSME sector. In this present study an attempt was made to study in depth, the working of SIDBI in terms of its lending performance and financial performance.

The major objectives of the study were: to trace out the origin and growth of SIDBI; to examine the lending operations of SIDBI; to evaluate the financial performance of SIDBI; to make a comparative analysis of growth of SIDBI in its pre and post delink period and to study the customers’ perception towards the services of SIDBI.

The hypotheses framed were: The sanctions and disbursements do not significantly predict the outstanding of the Bank; The growth rate of gross income does not depend upon the growth rate of total assets and the expansion of gross income does not depend upon the expansion of total assets and the business profile of the respondents do not significantly affect their perception towards the factors ‘reliability and effectiveness’, ‘Assurance’, ‘Service Portfolio’, ‘Access’, ‘Price’ and ‘Tangibles’.
The study considered the post-delink period of twelve years from the financial year 2000-01 to 2011-12. To compare pre and post-delink periods, the pre-delink period of ten years from 1990-91 to 1999-2000 was also considered.

The study was based on both primary and secondary data. The secondary data were collected from ‘Annual reports’ of SIDBI, ‘SIDBI report on MSME sector’, books, journals and reports of the RBI and web sites. Primary data were collected with the help of a structured questionnaire from 65 clients who had obtained loans directly from SIDBI, in Tamil Nadu. The respondents were selected by simple random sampling by applying lottery method. The data were analysed with the help of simple percentage, mean, standard deviation, co-efficient of variation, index, ratios, ROOF Model of profitability, annual growth rate, growth percentage, multiple regression analysis, F test, Karl Pearson’s correlation co-efficient and t test. The collected information was presented in seven chapters. The findings are summarised in this chapter.

7.2 ORIGIN AND GROWTH OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

SIDBI became operational on April 2, 1990 with an initial capital of Rs.250 crores and taking over the outstanding portfolio of IDBI relating to small sector held under Small Industries Development Fund (SIDF) and National Equity Fund as on March 31, 1990 amounting to Rs.4200 crores. The authorized capital and paid up capital of the Bank were subsequently raised to Rs.500 crores and Rs.450 crores respectively. SIDBI was de-linked from IDBI with effect from March 27, 2000 after the enforcement of SIDBI (Amendment) Act, 2000. These two are the milestones in the history of SIDBI. It is obligatory that IDBI and the financial
institutions in the public sector shall hold in the aggregate at least fifty one per cent of the issued share capital of SIDBI. At present 5.31 percentage of shareholding is held by the financial institutions, 21.88 percentages is held by the insurance companies and 72.81 percentages is held by the public sector banks. SIDBI (Amendment) Act, 2000 provides for a Board comprising 15 Directors. The Board as on June 30, 2012 comprised 12 directors, including CMD and a Whole-time director. As on March 31, 2012, the Bank had on its rolls a total of 1027 active full time staff comprising 863 officers, 92 class III staff and 72 subordinate staff.

SIDBI, apart from attending various financial and non-financial services, has also institutionalized various concerns and expectations through its subsidiaries / associate concerns, viz., SIDBI Venture Capital Limited (for venture capital), SIDBI Trustee Company Limited (Trustee of National Venture Fund, SME Growth Fund and India Opportunities Fund), Credit Guarantee Fund Trust for Micro and Small Enterprises (for credit guarantee), SME Rating Agency of India, SME Technology Services Limited (for technology transfer), and India SME Asset Reconstruction Limited (for asset reconstruction).

SIDBI serves as the principal financial institution for promotion, financing and development of Industries in Micro, Small and Medium Enterprises sector and coordinating the functions of institutions engaged in similar activities. Financial support is provided by way of refinance to the eligible Prime Lending Institutions (PLIs), such as banks, State Financial Corporations (SFC’s), Micro Finance Institutions (MFIs) for onward lending to MSMEs and direct assistance to MSMEs. Some of the major schemes of SIDBI under direct finance are term lending, sustainable finance, addressing delayed payments, working capital assistance, venture
capital, Growth Capital and Equity Assistance Scheme for MSMEs (GEMs) and Flexible Assistance for Capital Expenditure (FACE).

SIDBI since its inception has been assisting the entire spectrum of MSME sector through suitable schemes tailored to meet the requirements in setting up new projects, expansion, diversification, modernization and rehabilitation of existing units. SIDBI continues its strategy of designing appropriate products for meeting the emerging needs and filling the gaps in the credit delivery mechanism for increasing the flow of assistance to MSME sector. The policy of reviewing the existing schemes of assistance of SIDBI with three-prolonged strategy of liberalisation, widening of the scope and procedural simplification is also continued. The Bank provides regulatory directives and capacity building for the benefit of officers of SFCs.

SIDBI also plays a pivotal role in the implementation of various schemes for MSME sector undertaken by the Government of India (GoI) viz., Credit Linked Capital Subsidy Scheme (CLCSS) [Ministry of MSME], Technology Upgradation Fund Scheme for Textile Industry (TUFSl) [Ministry of Textiles], Integrated Development of Leather Sector Scheme (IDLSS) [Ministry of Commerce and Industry] and Scheme of Technology Upgradation /Setting up/ Modernisation / Expansion of Food Processing Industries (FPTUFPS) [Ministry of Food Processing Industries].

7.3 LENDING OPERATIONS OF SMALL INDUSTRIES

DEVELOPMENT BANK OF INDIA

SIDBI provides assistance to small industries directly and also through other financial institutions. The indirect credit schemes envisage the grant of financial assistance in the form of refinance, resource support to institutions, equity assistance and micro finance (including promotional and developmental assistance). Direct
credit includes project financing / term loans, bill financing / MSME receivable finance and other credit facilities. There was an exceptional growth in the percentage of indirect credit sanctioned and disbursed in the year 2002-03 due to the increase in operations under resource support to institutions and the success of the new product in the form of short-term loans to banks introduced in 1998-99. The refinance scheme was the major scheme of assistance under indirect credit followed by resource support to institutions. The financial assistance in the form of refinance during the study period was provided to the Prime Lending Institutions namely Banks, SFCs, and SIDCs.

The percentage of sanctions of refinance assistance to Banks to total refinance assistance had been ranging from 79.09 per cent in the year 2004-05 to 99.72 per cent in the year 2006-07. The disbursement under refinance assistance to banks had been fluctuating, but not widely from 75.09 per cent in the first year 2000-01 to 98.78 per cent in 2011-12. This was due to the fall in the share of refinance to SFCs.

The new product, ‘financial support (Short-Term Loans) to Banks’ introduced in the year 1998-99 being the major portion of refinance assistance was greatly successful. It was evidenced by the figures of sanctions and disbursements in the later periods from the year 2006-07 and the full amount of sanction had been disbursed in the year 2010-11.

The share of refinance assistance both in terms of sanctions and disbursements from SIDBI to SFCs had been fluctuating and become the lowest in the year 2011-12. The support to SFCs continues to be based on the exposure norm stipulated by SIDBI. However, a flexible approach was adopted in respect of well performing SFCs.
The resource support schemes are the short term loan schemes granted to the institutions engaged in the promotion and development of MSMEs to facilitate greater flow of funds to MSME sector. The overall resource support to institutions had shown a wide fluctuating trend. The index had been the maximum of 253.03 in the year 2009-10 and then decreased to 102.27 in the year 2010-2011. The disbursement of the resource support to institutions had been increasing continuously from the years 2000-01 to 2004-05 and had a fluctuating trend from the year 2010-11. There was a sudden hike in the final year of study 2011-12, with the index of 370, due to the increased resource support to NBFCs. The resource support was provided to SFCs / SIDCs, NBFCs, Short Term Loans (STL) to SEB and Power Corporations, Factoring Companies and Other Institutions. The sanctions and disbursements under resource support to SFCs / SIDCs by way of short-term loans showed a fluctuating trend. There was no more assistance under resource support to SFCs / SIDCs from the year 2006-07. Resource support to NBFCs was provided for the purpose of leasing and purchase activities. The share of sanctions under resource support to NBFCs to the overall resource support to institutions had been fluctuating up to the year 2010-11 and no sanctions in 2011-12. The disbursement under resource support to NBFCs showed a fluctuating trend. The disbursement of resource support to institutions was solely made in respect of NBFCs in the year 2011-12. The aggregate sanctions and disbursements from SIDBI for resource support to Short Term Loans to SEB and Power Corporation were irregular during the study period and there were no sanctions and disbursements in the years 2006-07 and 2009-10. It was notable that there were no disbursements even though there were sanctions in the years 2002-03 and 2004-05. Resource support to factoring companies had a fluctuating trend and from the year 2007-08, there were no sanctions and disbursements in this respect. The
sanctions under resource support to other institutions (State Bank of India, Punjab National Bank, IDBI Ltd and Indian Renewable Energy Development Agency Ltd.) had been ranging from 5.81 per cent and 99.60 per cent and discontinued after 2010-11. The disbursements under resource support to other institutions was the major portion of the overall resource support to institutions with the exceptions of the first-two years 2000-01, 2001-02 and also in 2005-06 and was ranging from 7.76 per cent in 2000-01 to 99.47 per cent in 2009-10.

There had been a continuous increase in micro finance assistance of the Bank over the study period which was due to the provision of strategic thrust to the Bank’s micro finance activities to befit the year 2001 as the year of Women Empowerment. However, in the year 2010-11, there was a heavy fall in the sanctions and disbursements due to the policy modifications of SIDBI in granting credit, as the outstanding in respect of micro credit had unduly increased. During the year 2011-12, the Bank had played a vital supporting role effectively as evidenced from the quantum of disbursement (22.92 per cent) for promotional and developmental activities which was distinct from the previous years, due to its policy modifications. In the last year of study 2011-12, term loan assistance was the only form of assistance operating under micro credit.

The equity assistance scheme was introduced in the year 1994-95. This equity assistance under indirect credit had been withdrawn since the year 2007-08, due to the withdrawal of National Equity Fund Scheme with effect from May 1, 2007.

The share of direct credit sanctioned and disbursed had been the maximum of 42.05 per cent in 2006-07 and 36.56 per cent in 2011-12 respectively. From the year 2007-08, the direct credit portfolio had been sub-divided into four broad segments namely term loan assistance, MSME receivable finance / working capital
facility, other credit facility and non-fund based facility. The amount of disbursement of term loan was the maximum of 46.58 per cent in the year 2000-01 and was continuously increasing after the year 2006-07 reaching 42.19 in 2010-11.

The share of sanctions for MSME receivable finance to direct credit was showing a fluctuating trend. In the last year of study 2011-12, the sanction and disbursements had reached the maximum of 68.85 per cent and 71.87 per cent respectively.

The share of other credit facility to direct credit was a maximum of 33.99 per cent in the year 2003-04 and the disbursements was at the maximum of 15.75 per cent in the year 2004-05. There were no sanctions in this respect and there had been a minimum disbursement of 0.98 per cent in the year 2011-12.

The non-fund based services include letter of credit (both foreign and inland), guarantees, services for appraisal, loan syndication etc. The share of amount of letter of credit to total non-fund based facility was 55.93 per cent in 2011-12 and the share of amount of guarantee given was 44.07 per cent in 2011-12.

An attempt was also made to analyze the net outstanding portfolio of the Bank. It was found that the total credit outstanding of SIDBI had a fluctuating trend up to the year 2003-04 and thereafter was continuously increasing at a faster rate up to the last year of study 2011-12, reaching the index of 436.32. This growth in turn with the increase in sanctions and disbursements had brought a good growth in total income also.

The share of indirect credit outstanding to the total credit outstanding had a fluctuating trend. But the quantum of indirect credit outstanding was decreasing during the first-four years from 2000-01 to 2003-04 and then was continuously increasing up to the last year of study period under the review. The direct credit
outstanding in absolute term was decreasing up to the year 2002-03 and then was it continuously increasing up to the final year of study 2011-12, whereas the percentage was widely fluctuating with the minimum of 10.12 in 2001-02 and the maximum of 27.23 per cent in 2006-07.

The relation between sanctions, disbursements and the outstanding was assessed with the multiple regression analysis. The linear regression equation set-up herein was, \(X_3=2077+0.56X_1+0.54X_2\). Further ‘F’ test was used to assess the validity of this equation. The result of ‘F’ test showed that the sanctions and disbursements would significantly predict the outstanding of the Bank. From the value of \(R^2\), it was concluded that any change in the outstanding was explained by the change in sanctions and disbursements to the extent of 96.04 per cent.

7.4 FINANCIAL PERFORMANCE OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

To critically assess and ascertain the efficiency of SIDBI ratios were employed. The profit after tax to net worth had been 8.9 per cent in the year 2011-12. The decline in profit after tax to net worth in the year 2007-2008 had been on account of decrease in profit due to provision of cumulative contribution to CGTMSE as expenditure and the interest expenditure on SIDBI Bonds held by Government of India.

The profit after tax to total assets had a fluctuating trend during the study period. Even though there was considerable increase in profit of the year 2008-09 the growth in the ratio was not commanding, since there was corresponding increase in total assets.

The earnings per share was the highest in the year 2011-12 which showed that SIDBI had improved the wealth of the shareholders. A consistent dividend policy
was followed by SIDBI atleast for a minimum period of three years from the year 2002-03, to enhance the satisfaction of the investors.

In spite of increase in the gross income, the profit margin was decreasing in the last-two years due to hike in administration cost. The asset utilisation had been better in the earlier period and was recovering in the latter period. The equity multiplier in the year 2011-2012 was more than twice that of the year 2000-01. As such, the additional assets were financed out of the equity and thus the creditors were placed in a better position. As revealed by ROOF, the profitability of the bank had been 8.97 per cent in the year 2011-12 which was next to the maximum of 12.6 per cent in the year of tax exemption (2000-01).

From correlation analysis it was concluded that the Bank was able to generate only lesser rate of additional income as compared to the rate of additional assets. Also the increase in income was not in accordance with the increase in assets. The results of ‘t’ test showed that the growth rate of total assets did not significantly affect the growth rate of gross income. Also the expansion of assets did not significantly affect the increase in the gross income.

The Bank had a comfortable current ratio throughout the period and had the maximum of 8.71 in the year 2011-12 which was the highest in its record, due to increasing amount of loans and advances.

The debt-assets ratio had shown an insignificant variation from year to year which indicates a stable financial leverage. The solvency position of SIDBI in terms of its ability to cover its interest payment had degraded in the later part of the study period.

The ratio of administrative cost to the total assets had been the minimum in the last-three years of the study period indicates that SIDBI was efficiently
administered. However the ratio was showing an increasing trend to a smaller extent, the assets of SIDBI should be better utilised to ensure higher profitability. The ratio of administrative cost to total income for the last-two years indicates that SIDBI was efficiently administered. However there is a slight increase during the last year. Hence to ensure higher profitability, the administrative cost should be in check in the coming years. SIDBI had made a very good disbursement ratio in the latter study period, from the year 2006-07 and had reached the maximum of 94.97 per cent in 2011-12. The bank had maintained a comfortable capital adequacy ratio throughout the study period with the maximum of 51.63 per cent in the year 2003-04.

Analysis was done to study the NPAs in relation to the outstanding portfolio with the ratios of gross NPAs to gross loan assets (Gross NPA ratio), net NPAs to net loan assets (Net NPA ratio). The ratio of gross non-performing assets to gross loan assets of SIDBI was ranging from 0.19 per cent to 9.42 per cent and was inconsistent to a large extent. Also the net non-performing assets to net loan assets of SIDBI during the study period were inconsistent to a large extent.

7.5 COMPARATIVE ANALYSIS OF SIDBI IN THE PRE AND POST- DELINK PERIOD

An attempt was made to compare the growth of SIDBI in the pre and post-delink period. The annual growth rate was determined by trend analysis. The performance was analysed in terms of physical performance indicators and financial performance indicators.

The number of branches and the total number of employees were the physical performance indicators while reserve funds, net worth, outstanding, total income, profit before tax, dividend, investment, interest income, spread, interest income to average working fund, non-interest income to working fund, return on
average assets, profit per employee and return on outstanding were the financial performance indicators considered for the comparative analysis of the performance of SIDBI.

The annual growth of ‘numbers of offices’ for the post-delink period was faster than that of pre-delink period. The ‘number of offices’ of the pre and post-delink period were widely apart due to the achievement of the target set as per the provisions of MSMEs Act, 2006. The annual rate of growth of the ‘number of employees’ for the pre-delink period was four times that of the post-delink period. Thus the ‘number of employees’ in the post-delink period has increased at a rate which is just one-fourth of the rate of pre-delink period.

The ‘reserve funds’ had accumulated at a slower rate in the post-delink period as compared to that of the pre-delink period. The annual rate of growth in networth for the pre-delink period was better than that of post-delink period. The annual rate of growth in outstanding for the post-delink period was more than three times that of the pre-delink period. Thus the lending operations of SIDBI had impacted the total resources of the Bank. The annual rate of growth in total income for the post-delink period was better than that of pre-delink period. The annual rate of growth in profit before tax of the post-delink period was more than six times that of pre-delink period. The annual rate of growth in dividend for the post-delink period was degraded. There was vast deviation in the growth rates of investments of the pre and post-delink period which were 114 and 4.30 respectively. This result was due to the continuous decrease in the investments of the post-delink period in adhering with the RBI guidelines. The annual rate of growth in the interest income of post-delink period was higher than that of pre-delink period. The annual rate of growth in the spread of post-delink period was 2.5 times than that of pre-delink period. The annual
rate of growth in interest income to average working fund of post-delink period was very much decelerated. The ratio of non-interest income to average working fund of post-delink period had been showing a decreasing trend in the last-three years. The annual growth rate of return on average assets of post-delink period was decayed as compared to the return on average assets of pre-delink period. The annual growth rate of net profit per employee of post-delink period was two times that of pre-delink period. The ratio of return on outstanding showed a negative growth rate during the post-delink period due to wide fluctuating trend.

7.6 CUSTOMERS’ PERCEPTION TOWARDS THE SERVICES OF SIDBI

To assess the effectiveness of the services provided by SIDBI, the views of the clients were analysed. Business profile of the sample enterprises was studied in terms of ‘Form of Organisation’, ‘Size of the Enterprise’ and ‘Nature of the Enterprise’, ‘Locality of the Enterprise’ and ‘Annual Earnings of the Enterprise’. Among 65 sample enterprises, the form of organization of 30 enterprises (46%) was sole proprietorship, 25 enterprises (38%) were of medium-size enterprises and 51 enterprises (78%) were engaged in manufacturing activities and 42 enterprises (65%) were located in urban area. The annual earnings of 22 enterprises (34%) were Rs.1 lakh – Rs.2 lakhs and around 32 respondents (49%) were aware of the existence of SIDBI through ‘peer groups’.

The perception of the respondents towards the services of SIDBI was studied under six factors namely ‘Reliability and Effectiveness’, ‘Assurance’, ‘Service Portfolio’, ‘Access’, ‘Price’ and ‘Tangibles’. From the average scores obtained on Likert five point scale in respect of the five constituents included under each factor, it was inferred that ‘Easier to meet the expansion / modernization
requirements’ was the foremost constituent of the factor ‘Reliability and Effectiveness’; ‘Good relationship’ was the foremost constituent of the factor ‘Assurance’; ‘Computerized Services’ was the foremost constituent of the factor ‘Service Portfolio’; ‘Quick accession through electronic mode’ was the foremost constituent of the factor ‘Access’; ‘Suitable periodic repayment schedule’ was the foremost constituent of the factor ‘Price’ and ‘Efficacious work Environment’ was the foremost constituent of the factor ‘Tangibles’.

The overall perception of the respondents of SIDBI was assessed in terms of those six factors namely ‘Reliability and Effectiveness’, ‘Assurance’, ‘Service Portfolio’, ‘Access’, ‘Price’, and ‘Tangibles’. The top most of the factor which had attracted the customers was ‘Tangibles’. The factors which impressed the respondents in the second and third order were ‘Access’ and ‘Assurance’. This was followed by ‘Reliability and Effectiveness’, ‘Service Portfolio’ and ‘Access’, taking fourth, fifth and sixth ranks respectively.

The order of the ranks showed that the respondents were much concerned with the physical attributes, communication facilities and psychological approach of the Bank rather than the financial products and thus was the proof for CRM which is concerned with ‘Relating the Customer’.

Since the perception of an individual is qualitative and may differ according to their business profile, an attempt was also made to analyse the relationship between the business profile of the respondents and their perception by using one way ANOVA.

The results of the ‘F’ test showed that the perception of the respondents towards the factor ‘Reliability and Effectiveness’ was significantly affected by their business profile namely ‘Nature of Enterprise’ and ‘Locality of Enterprise’;
the perception of the respondents towards the factor ‘Assurance’ depended upon their business profile namely ‘Nature of Enterprise’ and ‘Locality of Enterprise’; the perception of the respondents towards the factor ‘Service Portfolio’ was significantly influenced by their business profile namely ‘Nature of Enterprise’ and ‘Locality of Enterprise’; the perception of the respondents towards the factor ‘Access’ depended upon their business profile namely ‘Form of Organisation’, ‘Size of the Enterprise’ and the ‘Annual Earnings of the Enterprise’; the perception of the respondents towards the factor ‘Price’ had significant relationship with their business profile namely ‘Form of Organisation’, ‘Size of the Enterprise’, ‘Nature of the Enterprise’ and the ‘Annual Earnings of the Enterprise’; the perception of the respondents towards the factor ‘Tangibles’ was significantly related to their business profile namely ‘Size of the Enterprise’ and the ‘Annual Earnings of the Enterprise’.

7.7 SUGGESTIONS

The following are the suggestions that are offered to improve the performance of SIDBI in terms of deployment of funds and operational efficiency and customer services. This would also help in remoulding and reshaping the policies and techniques of operations of SIDBI.

➢ Necessary steps are to be taken to avoid the delay caused due to procedural requirements in sanctioning loan so as to ensure that the projects are implemented in time.

➢ It has been observed that SIDBI still believes in security-oriented approach in advancing loans. The most important difficulty faced by the sample units is the difficulty in furnishing security. SIDBI should evolve a need based instead of security based financing policy for assisting the MSME sector.
➢ In the changed scenario in the post liberalisation phase, MSMEs have great weakness in marketing. So it is felt that, there is a need to provide more marketing assistance programme to MSMEs.

➢ It is also felt that, there is a need to put in more efforts in the inculcation of managerial skills for the entrepreneurs of MSMEs.

➢ Objectives of the promotion and development programmes can be achieved only if SSI units are informed about it. Majority of SSI units are not aware of the promotion and development activities of SIDBI. So, steps should be taken to create awareness among the people by conducting programmes in association with MSME entrepreneurs’ associations in the industrial estates.

➢ Adequate steps are to be taken by SIDBI to improve the performance of its least performed financial indicators namely ‘Return on Assets’, ‘Interest income to Average working fund’, ‘Non-Interest income to Average working fund’ and ‘Return on outstanding’.

➢ Measures are to be undertaken by SIDBI to improve the performance of profit before tax which has not been doing well in the last three years. This can be done by reducing its expenditure.

➢ The slow growth of ‘Number of staff’ is a positive sign but it must be in tune with the ‘Number of branches’.

➢ More branches shall be opened by SIDBI to serve the unserved and underserved areas.

➢ The ‘reserve funds’ had been accumulated at a slower rate in the post-delink period as compared to that of the pre-delink period. If
SIDBI is taxed at a lower rate, it would be helpful to accumulate more reserves and hence improve its lending operations.

- More initiatives are to be taken by SIDBI to make MSMEs technically competitive.
- Allocation of funds for the developmental activities is to be increased.
- The share of ‘Direct finance’ assistance of SIDBI is to be increased by which more income can be generated rather than by indirect assistance.
- SIDBI must follow a balanced strategy in developing all states and all regions of the country.
- It is not the cost of credit but the availability that is important for the economically weaker sections of the society. Since the average size of the loan under micro finance assistance is small it may not pose big moral hazard. Hence if the scheme is linked with some sort of credit guarantee mechanism, ‘the availability of funds’ would not result in the incurrence of loss, instead it could serve as a motivating tool.
- Support given by the National and State Governments to MSMEs is not adequate enough to solve their problems. However, for the sector to fully utilize its potential, it is essential that the entrepreneurs should take their own initiative such as building good relationship with large concerns so that they can avail themselves of the technological and marketing assistance from those large concerns along with the Government support.

7.8 SCOPE FOR FURTHER RESEARCH

The study could also be extended covering the areas like resource mobilisation of SIDBI and subsidiaries of SIDBI.
7.9 CONCLUSION

SIDBI continues to evolve its business strategy to match the constant evolving needs and challenges of MSME sector. In order to address the various problems of MSME sector, SIDBI had reoriented its business strategy towards filling up the financial and developmental gaps in MSME eco-system. The new business strategies namely venture or risk capital, energy efficiency investment loan, bills discounting / factoring which were not generally provided adequately by the banks. The informational gaps were addressed by SIDBI’s newly launched website www.smallB.in which not only handholds a new entrepreneur to set up units but also provides all necessary information to existing entrepreneurs to grow in future. The institution which minimises the administrative costs and which provides maximum convenience to borrowers and lenders while performing the function of transmission of resources and yet provides a fair return to the financial intermediaries for their services, is said to be operationally or functionally efficient. In this respect, SIDBI had performed well. If the above mentioned suggestions are carried out, SIDBI would make MSMEs more vibrant, resilient and competitive.