CHAPTER II

ORIGIN AND GROWTH OF SMALL INDUSTRIES

DEVELOPMENT BANK OF INDIA

2.1 INTRODUCTION

To facilitate rapid industrial development of the economy, Development Banks were created with the specific objective of meeting the financial requirements of the Indian Industry in the area of project funding. Until the emergence of a vibrant capital market in the 1990s, for almost four decades they played the vital role in promoting an industrial structure conforming to national priorities located in the backward areas encouraging enterprises. A host of institutions have been created by the Government for promotion and development of small industries. The establishment of Small Industries Development Bank of India as an apex bank for MSMEs is the key in the series. In this chapter, an attempt is made to describe the origin and growth of Small Industries Development Bank of India and its initiatives in the development of MSME sector.

2.2. ORIGIN OF SIDBI

SIDBI was set up as a subsidiary of IDBI in 1990 and later on delinked from IDBI in the year 2000. These two are the milestones in the history of SIDBI which are detailed below:

2.3. SIDBI AS SUBSIDIARY OF IDBI

The small units require timely credit and financing arrangement rather than cheap credit. The scope of single window clearance made things easier at every point. To ensure that units once set-up are allowed to function smoothly by the timely
provision of adequate credit and to look after the financing activities of small-scale industries which grew significantly, the need for separate apex bank for small industries was felt. However, some people have expressed doubts if a separate apex bank for small industries will make much difference, as it will especially perform the refinancing, rediscouting and other functions that IDBI itself was doing hitherto.

Thus the demand for an exclusive bank for tiny and small industries had been in the air for long time and the government agreed to the demand in principle in February 1988. The setting-up of Small Industries Development Bank of India (SIDBI) marked the fulfillment of a long felt need to have a separate institution at the national level to exclusively cater to the requirements of the small-scale sector in the country. The decision to set-up SIDBI was announced by the Finance Minister while presenting the Union Budget for 1989-90 and the Bill for Setting-up the Bank as a wholly-owned subsidiary of Industrial Development Bank of India (IDBI) was introduced in the Parliament in May, 1989 and passed in October, 1989. 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 scale sector held under the Small Industries Development Fund (SIDF) and National Equity Fund as on March 31, 1990 amounting to Rs.4200 crores. The authorised capital and paid up capital of the Bank were subsequently raised to Rs.500 crores and Rs.450 crores respectively1.

2.4. COMMITTEES CONSTITUTED BY THE GOVERNMENT OF INDIA /RBI

In the setting-up of SIDBI the intention of the Government of India was to ensure larger flow of financial assistance to the SSI sector. Hence to analyse the
impact of the policy initiatives taken by the Government and flow of credit to the sector, including complexities of the system and procedures relating thereto, the Government of India /RBI have constituted various committees in the decade of nineties. Prominent among these are: Narasimham Committee-I (1991), Nayak Committee (1991), Abid Hussain Committee (1995) and Khan Committee (1998)\(^2\). These committees have given a number of recommendations covering various aspects relating to the SSI sector.

2.4.1 NARASIMHAM COMMITTEE-I 1991

The Government of India set-up a High Level Committee with Mr. M. Narasimham a former Governor of Reserve Bank of India as Chairman to examine all aspects relating to the structure, organization, functions and procedures of the financial system. The Committee submitted its report in November, 1991. Its major recommendation on DFIs includes – The role and functions of IDBI should be changed to make it equal to other institutions. IDBI should retain only its apex refinancing role and its direct lending function should be transferred to a separate institution which could be incorporated as a company. The Government of India did not accept the Narasimham Committee’s recommendations.

2.4.2 NAYAK COMMITTEE 1991

This Committee was set up to examine the adequacy of institutional credit to SSI sector and related aspects and had submitted its report in September, 1992. After considering the recommendations of the Committee, the RBI in July, 1993 announced a package of measures to ensure adequate and timely credit to SSI sector. An important element of the package is that the banks should adopt single window clearance scheme of SIDBI for meeting the credit requirements of small-scale units\(^3\).
2.4.3. ABID HUSSAIN COMMITTEE 1995

An expert committee with 11 members and headed by Abid Hussain was constituted in December 1995 by the government to study the status of Small Scale Enterprises and to suggest measures by which these units could grow and remain competitive in the changed economic environment. The Committee proposed highly debatable and sweeping reforms in the small-scale sector to make it globally competitive⁴.

2.4.4. NARASIMHAM COMMITTEE- II-1998

A high-level Committee on ‘Banking Sector Reforms’ was appointed by the Government of India in December, 1997 under the chairmanship of Shri. M. Narasimham submitted its report in 1998. The Committee recommended for the total elimination of subsidy element and inclusion of certain employment oriented activities within the scope of priority sector⁵.

2.4.5. KHAN COMMITTEE 1998

A working group was set-up in 1998 for harmonizing the role and operations of DFIs and banks, headed by Shri K.H Khan, Chairman and Managing Director of IDBI in 1997. The Committee recommended that the supervisory functions should be delinked from the refinancing function and brought under a consistent supervisory frame work and the ownership of financial intermediaries should be transferred from the RBI to the Government of India so that there is a focussed attention on its supervisory / regulatory functions. The Committee recommended for the formation of a working group for this purpose.⁶

The group’s recommendations specific to the agenda of reform of state level institutions included
• Eventual merger of State Financial Corporation, State Industrial Development Corporation and State Small Industries Development Corporation in each state into a single entity.

• Corporatisation of the consolidated state level institutions to give competitive efficiency.

• Encouraging strong State Financial Corporation to go public and

• Transfer of present shareholding of Industrial Development Bank of India in the state level institutions to SIDBI.

The Group also recommended

• Transfer of ownership of SIDBI from IDBI to the RBI or the Government.

• SIDBI should have access to assured source of concessional funds from the RBI.

• Constitution of a standing committee to be set-up on which banks and DFI's would be represented.

2.5. DELINKING OF SIDBI FROM IDBI

In the changed environment, the SSI sector had the need to integrate itself with the overall domestic economy and global markets by gearing itself to greater independence by networking and subcontracting. To satisfactorily meet the changing requirements of the sector and the national economy, the policies and the projects of SSI sector have to be effective and growth oriented so as to achieve competitiveness, collective approach, and capacity to upgrade. Hence after being completed 10 years of dedicated services to small scale sectors, SIDBI was delinked from the IDBI with effect from March 27, 2000 after the enforcement of SIDBI (Amendment) Act 2000. The Amendment Act has changed the provisions relating to capital structure, share
holding pattern, management, business, borrowings and investments of SIDBI.\textsuperscript{7} Hence these matters are also discussed in detail.

2.6 CAPITAL STRUCTURE OF SIDBI

SIDBI became operational on April 2, 1990 with an initial paid up capital of Rs.250 crores and taking over the outstanding portfolio of IDBI relating to small-scale sector held under the Small Industries Development Fund (SIDF) 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.

As per SIDBI Amendment Act, 2000, the authorized share capital of SIDBI had been raised from Rs.500 crores to Rs.1000 crores divided into 75 crores equity shares of Rs.10 each and 25 crores redeemable preference shares of Rs.10 each. The Central Government may, on the recommendations of its Board of Directors increase the authorized share capital to Rs.2000 crores. The Amendment Act provides for the transfer of shares held by IDBI on 27, March, 2000 to the financial institutions in the public sector and also permits public participation in its equity. It is obligatory that IDBI and the above mentioned financial institutions shall hold in the aggregate at least fifty one per cent of the issued share capital of SIDBI.

At present, the shares of SIDBI are held by 33 institutions / public sector banks / insurance companies owned or controlled by the Central Government, with Industrial Development Bank of India as its three largest shareholders. As such 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.\textsuperscript{8}
2.7 MANAGEMENT AND CORPORATE GOVERNANCE OF SIDBI

2.7.1 Board of Directors/ Committees of the Board

SIDBI (Amendment) Act, 2000 provides for a 15-member Board of Directors. Out of these, 8 Directors are appointed / nominated by the Central Government comprising Chairman and Managing Director(CMD), two whole time Directors, two Government officials and three experts (including one from SFCs) having special knowledge or professional experience. Out of the remaining 7 Directors, three are nominated by three largest shareholding institutions, banks and insurance companies owned or controlled by the Central Government, while four are elected by the elected Directors. The Board as on June 30, 2012 comprised 12 Directors, including CMD and a Whole Time Director.

The Board has constituted six Committees, viz. Executive Committee (EC), Audit Committee (AC), Risk Management Committee (RiMC), committee for supervision of SFCs (CfS), Special Committee to Monitor Large Value Frauds (SCMLVF), Information Technology Strategy Committee (IPAC).

2.7.2 Asset Liability Management Committee

The Asset Liability Management Committee (ALCO) of the Bank is headed by the chairman and managing Director and comprises Deputy Managing Director, Executive Director and other senior executives of the Bank heading Risk Management, Credit Resources and Treasury and Information Technology Departments. The ALCO reviews and monitors liquidity risk and the interest rate risk in the Bank from time to time.
2.7.3 **Investment Committee**

The Investment Committee of the Bank formulates strategies as well as recommends various investment options with regard to the Bank’s investment portfolio within the sphere of the Investment Policy of the Bank and the relevant RBI guidelines issued from time to time.

2.7.4 **Internal Audit**

Internal Audit of the Bank plays a pivotal role in strengthening Corporate Governance and complying with management objectives to strengthen internal control and improve risk management. Internal Audit Department of the Bank has been carrying out Operational Audit, Management Audit, Transaction Audit of Debt Servicing Activities of Resource Management Department, and Information Systems Audit on regular basis.

2.7.5 **Human Resources**

2.7.5.1 **Personal**

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.\(^9\)

2.7.5.2 **Training and Career Development**

The Bank imparts training to employees as an integral part of learning and development towards upscaling the skill level of man power and to cope with the changing business environment and contribute effectively towards organizational goal by deputing its employees to (i) in-house training programmes (ii) inland training programmes / workshops conducted/ organised by the reputed national institutions within the country and (iii) international programmes.
2.7.6 Customer Service and Grievance Redressal

In order to promote greater interface with the public, the Bank has also introduced a facility on its website whereby general public can submit their grievances and complaints against the Bank and / or its constituents. A senior officer of the Bank has been designated as the Chief Grievances Officer of the Bank. It has also implemented Government of India’s Centralized Public Grievance redressal and Monitoring System (CPGRAMS) for prompt and effective online redressal of grievances of citizens of India.

2.7.7 Staff Welfare Activities

Under the guidance of Central Welfare Committee, funds were allocated to welfare associations of various branches of the Bank to organize welfare activities for the staff and their families.

2.7.8 Vigilance Department

The Vigilance Department set-up in SIDBI is headed by a full-time Chief Vigilance Officer (CVO) appointed by the Ministry of Finance, Government of India. The objective is to strengthen the credit delivery and monitoring mechanism and to make the decision making process transparent, fair and equitable. Preventive Vigilance Committees have been set-up at various levels to review the preventive vigilance measures.

2.8. SUBSIDIARIES/ASSOCIATE CONCERNS OF SIDBI

SIDBI, apart from providing 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 Ltd (for asset reconstruction).  

2.9. FUNCTIONS OF SIDBI

SIDBI serves as the Principal Financial Institution for

- Promotion
- Financing
- 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 eligible Prime Lending Institutions (PLIs), such as banks, State Financial Corporations (SFCs), 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)
2.10. EVOLUTION OF VARIOUS SCHEMES OF ASSISTANCE OF SIDBI

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 the MSME sector. The policy of reviewing the existing schemes of assistance of SIDBI with three-pronged strategy of liberalization, widening of the scope and procedural simplification is also continued. The schemes introduced by the Bank since its inception on the credit delivery to the MSMEs are hereto enlisted.

Development of Marketing Infrastructure (1991)

This assistance focusses on the creation of new marketing channel for the products of SSI sector and also mitigation of hardship arising out of delayed payments. The marketing agency availing of assistance under this scheme would be required to pay not less than 50 per cent of the value of food supplied by the SSI units immediately on receipt. Refinance assistance is provided through the Prime Lending Institutions to organizations approved by the KVIC under its Interest Subsidy Scheme, for acquisition of mobile sales vans for marketing of KVI sector products.
Bill Financing Scheme (1991)

Direct Discounting of Bills

The manufacturer-seller in the small scale sector / selling agent will receive immediate payment for the capital equipment / machinery supplied. The buyer will get the deferred payments in easy installments over a period of 5-7 years.

Rediscounting of Bills

SIDBI extends rediscounting facility to banks against trade bills arising out of sale of products of SSI sector.

Factoring Services (1992)

In order to mitigate the difficulties faced by SSI units on account of delayed payments SIDBI decided to join the nodal banks identified by the Reserve Bank of India in promoting separate factoring companies. Besides contributing to the share capital, SIDBI would provide resource support to these factoring companies. The resource support to Factoring Companies was withdrawn in the year 2007-08.

Foreign Currency Loans to SSIs (1994)

SIDBI would extend the term loan in foreign currency for the import of capital equipments to export oriented SSI units with sound financial position.

Pre-shipment Credit in Foreign Currency (PCFC) [1995]

Industrial concerns in the small scale sector constituted as private or public limited companies, with a proven track record in export performance can obtain PCFC assistance from SIDBI in US Dollar or Deutsche Mark backed up by confirmed / firm export orders or irrevocable letter of credit.

Equity Assistance Scheme (1995)

Direct equity investments in SSI units will be made by SIDBI either through underwriting and taking up unsubscribed portion of equity or through fully or
partly bought-out deals or through direct subscription to the public issues under the quota allotted on firm basis to the financial institutions. This scheme was withdrawn from the year 2009-10, due to the withdrawal of National Equity Fund.


This scheme enables SSIs to acquire ISO-9000 series Certification. The loan amount is kept flexible. A subsidy of 50 per cent of the cost of acquisition of certificate, subject to the maximum of 75,000 per unit is offered by the Government of India.

**Technology Development and Modernization Fund (TDMF) Scheme [1996]**

With a view to encouraging the industrial units in the small-scale sector to modernize their production facilities this scheme has been launched. As per this scheme, SIDBI provides loan / equity assistance to individual projects and assistance to accredited agencies for undertaking developmental activities.

**Marketing Finance and Development Department [1996]**

To accord a focussed attention to the marketing related services needed by the SSIs in rural, other domestic and international market segments, marketing finance and development department was set-up.

**Vendor Development Scheme [1997]**

SIDBI would provide a package of financial assistance including equity and loans in rupee and foreign currency to SSI vendors upon the recommendations of purchasers, to upgrade their operational capabilities.

**Credit Rating of SSIs [1997]**

The existing industrial concerns and service enterprises with good track record which obtain minimum satisfactory rating from credit rating agencies either generally or specifically for a debt / loan programme would be eligible for a grant up
to 50 per cent of the fees paid by them to the credit rating agency or Rs.15,000 whichever is lower.

**Scheme of Export Bill Financing in Foreign Currencies [1998]**

This scheme was introduced to provide post-shipment finance in foreign currencies by way of discounting of usance bills, purchase of sight / demand export bills and negotiation of bills under letters of credit of SSI exporters.

**Pre and Post-shipment Finance in Rupees [1998]**

Pre –shipment finance would be provided against confirmed export orders. This assistance will be availed in rupees by way of discounting of usance bill, purchase of sight/demand export bills and negotiation of bills under letters of credit of SSI exporters.

**Bills Rediscouting Scheme against in Land Supply Bills of SSIs [1998]**

Bills Rediscouting scheme against in land supply bills of SSIs envisage rediscouting facility by SIDBI to banks in respect of inland short term bills arising out of credit sales made by SSI units and discounted by them.

**Financial Support (Short Term Loan) to Banks [1999]**

This scheme was introduced to fill the gap in the credit delivery system for increasing the flow of assistance to SSI sector. This new product was very successful from the year 2002-03.

**SIDBI Foundation for Micro Credit [1999]**

SIDBI Foundation for Micro Credit as a separate department to look after the SIDBI’S Micro Credit Scheme was launched with an initial corpus of Rs.100 crores.
Technology Upgradation Fund Scheme for Textiles and Jute Industries [2000]

This was launched with effect from April 1, 1999, for a period of five years. The important feature of the scheme is interest reimbursement of the percent on the interest actually charged by identified financial institutions in respect of rupee loan.

Tannery Modernisation Scheme [2000]

This scheme was launched in January, 2000. The main incentive under this scheme is the availability of capital subsidy for enterprises of India for eligible plant and machinery items to the extent of 30 per cent and 20 per cent of the cost of such plant and machinery for SSI and non-SSI units respectively.

Short Term Loans to State Electricity Boards [2000]

This is to facilitate their purchase from SSI and to effect payments in time.

Invoice Discounting Scheme [2000]

This scheme was introduced in March, 2000, for Invoice Discounting in respect of goods supplied or services provided by SSI units to large purchasing companies in the public/private sectors with sound financial position and past record.

Credit Linked Capital Subsidy Scheme for Technology Upgradation of SSIs (2001)

The Scheme, being implemented through SIDBI, envisages a capital subsidy of 12 per cent on loans advanced to SSI units by the scheduled commercial banks and the National Small Industries Corporation Ltd.
Refinance Scheme for Term Loans Granted by the SFCDCs /SI to Industrial Concerns Other Than in the Small-Scale Sector (2001)

This was introduced with effect from June 1, 2000 and would run concurrently with other existing refinancing schemes.

Fast Track Financing Scheme (2002)

The main feature of the scheme was to grant sanction and disbursement on a fast track basis without subjecting the clients to detailed procedures applicable to the new clients, thus improving relationship banking and promoting good clientele.

Credit Linked Capital Subsidy Under Technology Upgradation Fund Scheme (2002)

Under CLCS-TUFS, an option has been extended to the small-scale textile industries to avail themselves of either one time 12 per cent Credit Linked Capital Subsidy or the existing five per cent interest reimbursement.

Formal Financial Institutions as Intermediaries (2002)

By this scheme SIDBI is to expand its assistance for the upliftment of the poor through formal financial institutions and MFIs.

SEAF India SME fund (2003)

The bank has, in-principle, agreed to contribute Rs.25 crores to the initial corpus of the proposed SEAF India SME Fund of US$ 40 million. The Fund would be utilised towards equity and equity related investment in small and medium enterprises (SMEs) in India.


Micro venture capital fund for small innovations is initiated by SIDBI, in collaboration with the National Innovation Foundation (NIF). SIDBI committed a contribution of Rs.500 lakhs towards the corpus of the proposed Micro Ventures
Innovation Fund. The NIF is in the process of structuring the Fund and finalizing its operational modalities.

**Contribution to India Development Fund (2003)**

The prime objective of the Fund is to facilitate infrastructure development in country by investing in equity and/or equity-linked and/or debt capital of infrastructure projects. The Fund is expected to facilitate investment of the order of Rs.10,000 crore in infrastructure projects in energy, oil, gas, telecom, IT, integrated transportation systems, SIDBI, being the apex development financial institution for SSI Sector, has decided to subscribe to the Corpus of the Fund to the tune of Rs.50 crore. It is expected that substantial direct and indirect benefits would accrue to SSI sector on account of the investment in infrastructure catalysed by this Fund.

**Resource Support involving Two Tier Credit Dispensation (2003)**

SIDBI has been endeavouring to expand linkages with Public Financial Institutions (PFIs) for supplementing the existing partnership with Primary Lending Institutions. The Government of India have granted such approval in respect of PFIs specified under section 4A of the Companies Act, 1956, and such other financial institutions/agencies.

**Small and Medium Enterprises Fund (2004)**

During the financial year 2004, SIDBI structured the SME Fund of Rs.10,000 crores and rationalised the rates of interest both on direct assistance as well as refinance. Refinance is being made available to the SFCs in the interest rate band of 7.5 per cent to 8 per cent for onward lending to the SMEs at the stipulated rate.

**SIDBI Growth Fund (2004)**

SIDBI has taken initiative for setting-up of a second national level fund viz. “SIDBI Growth Fund” With a corpus of Rs.100 crore.
**Portfolio Risk Fund (2004)**

The Bank has entered into collaboration with the Government of India for creating a “Portfolio Risk Fund” of the order of Rs. 6 crore during the 10th Plan Period. The fund intends to partly meet the security deposit requirement of the Micro Financing Institutions in respect of loans extended by SIDBI under MCS.

**Portfolio Purchase Scheme (2004)**

This scheme authorizes the Bank to undertake business through Asset Securitisation.

**Loghu Udayam Credit Card Scheme (2005)**

This scheme was liberalized to provide Small and Medium Enterprises easier access to bank credit from Rs.2 lakhs to Rs.10 lakhs.

**Credit Linked Subsidy Scheme (2005)**

This was introduced to encourage technology upgradation in the SSI sector.

**Scheme for Small Enterprises Financial Centers (2005)**

Memorandum of Understanding with 13 commercial banks was entered into for joint / co-financing of projects relating to SME sector in the identified clusters, during the year. Select branches of SIDBI were re-designated as ‘Small Enterprises Financial Centre’.

**Cluster Development (2005)**

As a means of cluster development Infrastructure Leasing and Financial Services of the Bank, would among other things, co-finance the infrastructure of the Cluster and finance / arrange finance for the individual SSI / SME units of the cluster.
Channel Arrangements (2005)

Various arrangements like sourcing, referral and co-branding were explored during the year with reputed NBFCs and private sector banks, helped in augmenting, thus furthering their on lending to more number of SMEs.

Short Term Resource Support to SME Intermediates (2006)

To augment the fund base of financial intermediaries for further on-lending to SME units Short Term Resource Support to SME intermediates was introduced.

Inland Letter of Credit Scheme (2006)

To provide domestic Letter of Credit facilities to SIDBI’s customers, Inland Letter of Credit Scheme was introduced. It provides flexible assistance to the SME vendors of large corporates and Original Equipment Manufacturers.

Privileged Customer Scheme (2006)

It is an innovative scheme for extending annual credit limits to the existing good customers of the Bank for meeting their unforeseen, bonafide business expenditure.

Small Loan in North East Region (2006)

It provides direct dispensation of small quantum loans (up to Rs.2 lakhs) in the North East Region(NER).

SME IT Loans (2006)

The aim of this scheme is to provide small loan to SME unit for procuring IT products.

The technology features of MICR cheque and Core Banking Solution would be tapped to facilitate the tripartite accounting among SIDBI, IDBI Limited and the client, within the regulatory framework under working capital arrangement.


SIDBI is implementing a prestigious World Bank-led multi agency / multi activity Project on Financing and Development of SMEs. The World Bank, DFID, the UK, Kreditanstalt fur Wiederaufbau (KfW), Germany and GTZ, Germany are the international partners in the Project. The Project is unique in the sense that it addresses both demand and supply side issues concerning SMEs. The multifaceted business strategy of the Bank is operationalised in terms of product innovation, product rationalisation and improved risk management system.

WC Arrangement With IDBI (2007)

SIDBI has entered into a strategic arrangement with the IDBI Bank to provide working capital facilities to the SME customers by utilising the banking platform of the IDBI Bank. The arrangement was launched on pilot basis and found successful.

Guarantee (2007)

A pilot guarantee scheme was approved for Mumbai cluster in Gujarat in December, 2006 and a formal guarantee scheme was launched in the year 2008. The scheme has become a major source of non-fund income for the Bank.

Privileged Customer Scheme (2007)

For meeting their unplanned and non-project specific bonafide expenditure Privileged Customer Scheme was introduced.
**Invoice Discounting Scheme (2007)**

The Scheme was launched by the Bank in February, 2000. It was modified to make it more customers friendly and compatible. The modified scheme was operationalised in select branches in the year 2007 and based on experience, was suitably fine tuned and upscaled on an All-India basis in the year 2008.

**Equity Support (2007)**

The equity investments by SIDBI would be made in companies which are availing / proposing to avail themselves of other forms of assistance from SIDBI.

**Effective Role of NBFCs (2007)**

SIDBI for increasing the role of NBFCs in credit delivery to the SMEs and addressing their capacity building requirement, some important initiatives were taken as under:

a) Initiative for development of rating models for small and medium NBFCs by the rating agencies.

b) Modification of internal norms to cover smaller NBFCs having net owned funds between Rs.5 crores and Rs.15 crores under direct lending schemes.

c) Increased association of NBFCs in mainstream business processes.

d) Capacity building of NBFCs interested in traditional SME business and

e) Co-branding arrangements were carried out with two NBFCs during the year providing assistance to 210 customers.

**Risk Capital Fund (2008)**

In order to operationalise the Risk Capital Fund, the Bank set up ‘SIDBI Foundation for Risk Capital for MSMEs (SFRC).
New Thrust on Refinance (2008)

In order to enhance the refinance capability of SIDBI to the MSME sector, Government of India has announced setting-up of a fund for Rs. 2000 crores through the Prime Lending Institutions.


If the Energy efficiency projects get registered under the Clean Development Mechanism (CDM), MSMEs could be eligible for Certified Emission Reduction (CERs) or Carbon Credits, which would further improve the return on EE investments by MSMEs.

The Bank would also provide financial support to Energy Service Companies (ESCOs) undertaking energy audits and MSMEs to draw benefit from improvement in production economies and the opportunities provided by the CDM including trading in CERs (carbon credits). Under the Fund, SIDBI, jointly with banks, provides assistance to MSME units in the Region up to Rs.50 lakhs with CGTMSE coverage.

STRATEGIC BUSINESS INITIATIVES (2008-2009)

The Bank took several measures to provide relief to the MSMEs affected by the liquidity tightening. Some of the new products and important initiatives during the year 2008-09 are mentioned below:

NEW INITIATIVES

* Ad-hoc Assistance Scheme for Existing MSME Customers – The Bank offered one-time ad-hoc assistance to its existing customers up to 15% (subject to maximum of Rs.50 lakhs) of their total existing sanctions on a fast
track and simplified terms to help the MSMEs in getting the much needed credit immediately.

* **One-time Liquidity Support** – In view of the prevailing economic conditions, the Bank introduced one-time liquidity support facility to the extent of 15% (subject to a maximum of Rs.50 lakhs) of existing working capital facility to its customers.

* **Additional Limit Under Receivable Finance Scheme** – Under the Scheme, SIDBI extended additional limit of 15% of the Corporate for their procurements from MSME vendors with a view to helping the MSMEs to get immediate payment from the large corporate.

* **Restructuring** – To tide over the immediate cash flow problems and the liquidity crisis, SIDBI proactively provided need-based restructuring in the repayment schedules to its customers.

* **Scheme for Energy Saving Projects in MSME Sector** – A special scheme of assistance for extending the assistance for adopting the energy saving technologies and machineries by the existing and new MSME units was launched. Under the Scheme, assistance is provided at concessional rate and terms to the MSMEs for taking up investment in energy saving projects to improve the energy efficiency and viability of their projects. To encourage large number of MSMEs to put for energy saving investments, assistance is also offered through banks and NBFCs.

* **MOU With FSIA** – SIDBI entered into a Memorandum of Understanding (MOU) with Faridabad Small Industries Association (FSIA) for providing pre-approved limits to well performing MSME members of FSIA, which could be
drawn by them at a short notice for financing their urgent unforeseen business related expenditure.

∗ **Credit Delivery Arrangement With OEMs** (Original Equipment Manufacturers) – The Bank entered into customized with a few OEMs supplying equipments to MSMEs. Under the arrangement, SIDBI provides assistance to MSMEs for procurement of equipment from OEMS as per predetermined credit terms under a simplified sanction process and terms.

∗ **Risk Capital Fund** – The operations of Risk Capital Fund for MSMEs were started by launching Direct Risk Capital Assistance for MSMEs and Assistance to Venture Capital Funds / Private Equity Funds. Policy guidelines for providing assistance to start-ups under the Fund have also been formulated.

∗ **Micro Enterprises Loan (MEL) Scheme** – With a view to extending direct financial assistance to micro enterprises under SFMC dispensation, a new scheme Micro Enterprises Loan (MEL) Scheme was introduced. This scheme involves providing need-based composite assistance in the range of Rs.50,000-Rs.5,00,000 to Micro Enterprises directly, under Credit Guarantee fund Trust for Micro and Small Enterprises (CGTMSE) cover.

∗ **Small Loans Scheme for the North Eastern Region (SLS-NER)** – The SLS-NER Scheme was launched for providing need-based assistance up to Rs.2 lakhs to the MSEs in the North Eastern Region. It has been designed for promoting Small borrowers / entrepreneurs in the NER through fast credit delivery at concessional interest. Further concessionality in the form of refund of Guarantee fee / Annual Service fees charged by CGTMSE to the borrowers after full repayment of the loan has also been built in the Scheme.
STRATEGIC BUSINESS INITIATIVES  (2009 – 2010)

The business strategy of SIDBI is oriented to provide financial support to MSMEs through different phases of economic cycles, while continuing its thrust on sustainable financing of the MSMEs. SIDBI, being the principal financial institution for MSMEs, has provided timely financial support to the MSME sector during the period of global financial crisis and economic slowdown to overcome the liquidity problems faced by them. At the same time, with its commitment to responsible banking and addressing the issues of climate change, SIDBI has integrated environment, energy efficiency and social standards with its lending activities in an increasing manner. The Bank recognizes that sustainable development is the key to MSMEs survival and growth in the long-run and accordingly has taken a number of focussed initiatives. Some of them are mentioned below:

RESPONSIBLE FINANCING

Promoting Energy Efficiency

The MSMEs in India have good potential for improving productivity and competitiveness through Energy Efficiency (EE) measures in production process. In order to upscale EE financing for the MSME sector, SIDBI contracted bilateral Lines of Credit from Japan International Cooperation Agency (JICA), Japan; Kreditanstalt fur Wiederaufbau (KfW), Germany and French Development Agency (AFD), France. During the year under review, the Bank introduced a scheme for “Promoting Investment in Energy Efficiency projects in MSME sector” to provide loan assistance at concessional terms to MSMEs to invest in energy saving technologies. To have wider coverage, the Bank has provided resource support to banks, SFCs and NBFCs for on-lending to MSMEs for energy saving projects. Simultaneously, the Bank has
launched awareness campaigns on EE measures in the energy intensive MSME clusters and has also provided technical support services to MSMEs for identifying EE technology / equipments.

**Promoting Clean Production Measurers**

The Bank introduced a scheme to provide “Assistance for Clean Production Options” from April, 2010, under which, apart from financial assistance at concessional terms, technical support is also provided to MSMEs for investing in environmentally friendly technologies.

**Partnership With BEE**

SIDBI has signed a MoU with Bureau of Energy Efficiency (BEE) for implementing Energy Efficiency (EE) measures among MSMEs in 25 clusters.

**Energy Efficiency Handbooks and Posters**

- Do’s and Don’ts booklet has been released in collaboration with The Energy Research Institute (TERI) on energy efficiency measures for MSMEs.
- Three handbooks and six posters have been prepared on housekeeping measures for improving Energy Efficiency of MSMEs.

**World Bank Global Environment Facility Project (WB-GEF)**

To improve EE and reduce Green House Gas (GHG) emissions from MSMEs utilizing increased commercial financing for EE.

**Assistance to Mumbai Taxi men**

SIDBI devised a special scheme for providing assistance to these taxi owners for replacing the old taxis plying in Mumbai which are more than 25 years old, with latest energy efficient versions, using a simplified credit delivery arrangement with active involvement of the two local taxi associations. Under the
arrangement, assistance at concessional rate is offered with credit guarantee coverage by Credit Guarantee fund Trust for Micro and Small Enterprises (CGTMSE).

**Auto Rickshaw Financing**

Six hundred LPG fitted Auto Rickshaws were provided assistance in Chandigarh by Delhi Finance Corporation (DFC). SIDBI provided refinance to DFC for its clean energy initiative.

**Solar Lanterns**

Friends of Women’s World Banking (FWWB), a Micro Finance Institution (MFI), was sanctioned assistance of Rs.10 crores for providing assistance to micro entrepreneurs in Manipur and other North Eastern States for purchasing Solar Lanterns.

**Rickshaw Sangh Programme**

SIDBI signed an MoU with American India Foundation (AIF) to provide livelihood support to the low-income groups through a joint initiative called the “Rickshaw Sangh Programme”, under which the Bank sanctioned financial assistance of Rs.50 lakhs to Bhartiya Micro Credit (BMC) under its Micro Credit Scheme for micro finance as well as for financing livelihood programmes. As a part of the Bank’s Corporate Social Responsibility, these clients are also being provided various non-credit supports, such as, getting the license and Municipal permits, uniforms, life insurance covers for client and spouse, accident insurance for the rickshaw clients, opening of savings bank account and the like.

**Green Rating**

Green rating assesses the compatibility of an industrial unit to adhere to manufacturing processes, along with efficient use of resources with minimum environmental damage. It also takes into account compliance of environmental
regulatory norms by the MSMEs. To encourage the MSMEs to go for green rating, SIDBI gives concession in interest rate up to 50 paise in its loan assistance to MSMEs obtaining green rating of ‘SMERA Green 3’ and above.

**MSME Receivable Finance Scheme**

SIDBI operates the MSME Receivable Finance Scheme (RFS) for MSME sellers / eligible service providers in respect of sales and services rendered to purchaser companies. SIDBI also offers invoice discounting facilities to the MSME suppliers of purchaser companies.

**NTREES (NSE Trade Receivable Engine for E-discounting in Association with SIDBI)**

At present, trade receivables under MSME Receivable Finance scheme limits sanctioned by SIDBI have been shifted on NTREES.

**CART**

SIDBI had been using Credit Appraisal and Rating Tool (CART), an IT-based mechanism for appraising and rating loan exposure up to Rs. 100 lakhs for existing profit making MSMEs. SIDBI has shared the Tool with banks and MoU SFCs free of cost and has also been giving training to the officials of banks / Financial Institutions to facilitate its smooth implementation.

**Customized Financing**

- The Bank allowed need-based restructuring of repayment schedules to affected MSMEs as a support during the difficult times.

In order to augment greater credit flow to MSE sector, the Bank decided to provide all loans up to Rs.100 lakhs without collateral and/or third party guarantee under the Credit Guarantee Scheme of CGTMSE.
**Risk Capital Fund**

During the year 2009-10, the Bank expanded the product range by introducing a new financial instrument, viz. Sub-ordinated Debt (SD). It is a quasi-equity type debt based product, which is subordinated in repayment and security to senior loans. The introduction of this quasi-equity type product is helping the MSMEs to leverage the same to raise additional debt to meet their growth requirements. The Bank has also started operations under its Start-up Assistance initiative on pilot basis, where early stage ventures operating in innovative/ technology space, including those being incubated at technology incubators are offered financial assistance on flexible terms.

**STRATEGIC BUSINESS INITIATIVES (2010 – 2011)**

**Promoting Energy Efficiency**

Apart from offering assistance at concessional rate of interest to MSMEs to take up energy efficiency investments, the Bank has also taken up promotional activities to showcase the advantages of EE investments in the energy intensive MSME clusters. The Bank has also provided training to its credit officers and officers in SFCs to improve their skills to assess energy efficiency lending proposals. It also provided refinance to banks and SFCs at concessional rate to encourage them to cover larger segments of MSMEs under EE investments.

**Promoting Cleaner Production Measures**

To achieve a reduction or avoidance of emission of green house gases and pollution, assistance is offered to MSMEs for waste management [i.e. waste recycling, reduction in air, water and noise emissions, treatment and disposal of hazardous waste, etc.] at concessional terms. In addition, Common Effluent Treatment
Plants (CETP) and Water Recycling Plants benefiting large number of MSMEs in the industrial clusters / zones are also eligible for assistance.

**Green Loan Scheme**

To encourage small capital investments in environmentally sustainable and energy efficient manufacturing facilities / services, during the year 2010-11, a Green Loan Scheme was introduced for the existing MSME customers of the Bank with simplified and faster credit delivery mechanism.

**Green Rating**

To promote green rating in MSME sector, SIDBI, in association with SME Rating Agency of India Limited (SMERA), launched a pilot scheme called Green Rating for the first time in the country to encourage MSMEs to get their manufacturing facilities rated on environmentally sustainable parameters. Under the arrangement, in pilot phase, 80% of the actual cost of Green Rating, subject to a maximum of Rs.45,000 per unit, would be borne by SIDBI for the first 50 MSMEs. The expenditure borne by SIDBI in pilot phase of Green rating would be reimbursed by Kfw Environmental Line Technical Assistance Component. SMERA has developed rating model for steel sector and it is now in the process of developing rating models for other industrial sectors.

**Programmatic Clean Development Mechanism (PCDM)**

SIDBI has taken up a programmatic CDM (PCDM) project in stainless steel re-rolling mill cluster at Jodhpur, Rajasthan as a development project to provide Certified Emissions Reductions [CERs or carbon credits] to MSMEs on a cluster basis. There are about 100 stainless steel re-rolling units in Jodhpur.
WB-GEF Project – financing Energy Efficiency in MSME Clusters

The project would take up capacity building of industry associations, Special Purpose Vehicles (SPVs) and energy auditors in these clusters conduct awareness programmes, the project has started in November, 2010 and is expected to be completed by November, 2014.

INNOVATIVE FINANCING

TIFAC- SIDBI Revolving Fund for Technology Innovation

TIFAC has created a TIFAC-SIDBI Revolving Fund for Technology Innovation (Fund) of Rs.30 crores. A new Scheme called “I’tu” (SRIJAN) has been launched under the Fund. Under the Scheme, assistance is provided up to Rs.1 crore at softer interest rate of up to five per cent per annum.

NSE Trade Receivables Engine for E-discounting in Association With SIDBI (NTREES)

SIDBI, along with National Stock Exchange (NSE), took an initiative for setting up an electronic platform for discounting of MSME receivables which has been named as NTREES in 2009. Operations on the platform obtaining necessary approvals from the regulators and putting in place a suitable legal framework, the NTREES would be taken to the next level with multiple financiers logging in and operating on the platform as e-discounting exchange offering competitive discount rates to MSME vendors.

OTHER INITIATIVES

- India Venture Board (IVB) - India Venture Board is a collaborative initiative of National Stock Exchange, SIDBI, Indian Private Equity and India Venture Capital Association (IVCA) and leading angel networks in India. The
IVB is a new electronic platform and a community portal (www.indiaventureboard.com) meant for increasing primary / secondary venture capital and private equity deal flow in unlisted companies in India. The IVB has a special objective to galvanise early stage risk financing eco-system and innovation based entrepreneurship in India by reducing information asymmetry, costs, effort and time for smaller deals by bringing about a powerful convergence of all the players operating in this space including investors, investment bankers, incubators, affiliate organizations and entrepreneurs. The NSE has informed Securities Exchange Board of India (SEBI) about this platform and its sponsors. SIDBI Venture Capital Ltd. (SVCL), SIDBI Foundation for Risk Capital (SFRC) and SIDBI-TIFAC fund would have active engagement with the portal. The platform will enable these outfits to find investment opportunities, visibility of existing investments and a structured mechanism for secondary liquidity for their investments.

- **Memorandum of Understanding (MoU) with IDBI Bank** - SIDBI has entered into an MoU with IDBI Bank Ltd. on October 01, 2010 for joint financing of MSMEs. Under the MoU, joint business development efforts will be made by SIDBI branches in association with IDBI Bank branches.

**STRUCTURED FINANCE**

- **Credit Delivery Arrangements with Industry Association in Gujarat:**
  Under this arrangement, the Association would be recommending its well performing member MSMEs to SIDBI, based on a preliminary scrutiny provided by the Bank for quicker dispensation of credit. An MoU has been signed with the Association on February 10, 2011.
• **Credit Delivery Arrangements for Van Financing:** A structured arrangement was entered into with an NGO and a leading automobile manufacturing company for financing of vans in Mumbai. Term loan is provided up to 90% of the van cost and the loan is extended and covered under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

• **Vendor Development Programmes:** Under the arrangement, term loans would be sanctioned to the vendors recommended by the company up to 90% of cost of machinery. The company would recommend the vendors based on the screen provided by SIDBI and would give assurance for off take from the vendors during the currency of term loan. Further, in case of default by any vendor, the company would directly pay to SIDBI on behalf of the vendor by deducting the same from the amounts payable to the vendor.

• **Financial Assistance to Dealer-cum-service Stations of Reputed Tractor Manufacturing Company:** Under the arrangement, revolving limits would be granted to dealers for funding their purchases of equipments from the company. Dealers are referred to SIDBI by the company based on a credit screen provided by SIDBI and also based on their past track record. Apart from above, the company would be providing first loss guarantee of 10% of the limit. An agreement was signed between the company and SIDBI on December 3, 2010.

• **Refinance Scheme for Energy Efficiency:** In view of the growing need for energy saving and importance of energy conservation for sustainable development and improvement in profitability as an outcome of implementing energy saving measures, a new Refinance Scheme for Energy Saving Projects
(RSES) for MSMEs was launched under Japan International Co-operation Agency Line of Credit (JICA-LoC) and also Agence Francaise de Developpement (AFD) LoC. The overall objective of the RSES is to promote energy saving amongst MSMEs in India, thereby contributing to environmental improvement and economic development in the country and control of climate change on the earth.

- **Refinance Scheme for Micro and Small Enterprises Sector:** During the year 2010-11, a corpus of Rs.4000 crores was made available by the RBI to the Bank under the MSE (Refinance) Fund 2010-11. Accordingly, SIDBI introduced a Refinance Scheme for Micro and Small Enterprises (RMSE-II) for providing refinance to the banks and SFCs to the MSE sector.

- **Scheme for Refinance to Banks Under World Bank Line of Credit:** In order to facilitate increased flow of assistance, especially term loans to MSEs adhering to Environmental and Social (E&S) standards, it was decided to launch a Special Scheme, viz., Scheme for Refinance to Banks under World Bank Line of Credit (SRWB).

**RISK CAPITAL FUND**

- SIDBI had set-up, the SIDBI Foundation for Risk Capital for MSMEs (SFRC) in the year 2008-09. The Risk Capital Fund was created in 2009 as per Union Budget announcement with a committed corpus of Rs.2000 crores. Risk capital assistance is provided to MSMEs directly as well as through Fund of operation (i.e. through VCFs). SFRC uses various financial instruments, viz., Equity, Convertibles (viz., Optionally Convertible Preference Capital / Debentures / Debt), Sub-ordinated Debt and the like to dispense risk capital to
MSMEs. The risk capital assistance is offered on the backing of future cash flows of the unit rather than asset coverage / collaterals unlike conventional loans.

- With an objective to improve the corporate governance levels in the MSMEs, GGM would improve the governance levels in participating MSMEs by providing a best practices roadmap to the promoters.

**STRATEGIC BUSINESS INITIATIVES (2011 – 2012)**

**Equity / Risk capital**

Since the Bank has been working with incubators and angel networks to identify and support deserving start-ups, the risk capital assistance is offered on the backing of future cash flows of the unit rather than asset coverage / collaterals unlike conventional loans.

**Growth Capital and Equity Assistance Scheme for MSMEs**

During the year 2011-12, Direct Risk Capital Scheme (DRCS) has been rechristened as Growth Capital and Equity Assistance Scheme for MSMEs (GEMs), with some modifications and additional features so as to assist greater number of MSMEs.

**Equity / Risk Capital Assistance Through Channel Partners**

During the year 2011-12, with a view to channelise the growth capital / equity to a larger number of MSMEs, SIDBI has decided to partner with select banks to enhance its reach, leveraging on the country-wide branch network of such banks. In the effort to reach out to large number of MSMEs SIDBI has entered into an MoU with a public sector bank to provide a line of credit of Rs.100 crores to provide growth capital to deserving MSMEs for funding their growth requirements. Such
MoU would be entered into with some more banks in due course. SIDBI has also put in place a scheme to provide risk capital assistance to MSMEs by way of line of credit / resource support through Channel Partners (CPs) / NBFCs with an objective of enhancing the retail reach of risk capital.

**MOU with Technology Information, Forecasting and Assessment Council (TIFAC)**

The main objective of the scheme is to support MSMEs towards development, up-scaling, demonstration and commercialization of innovative technology based project. The Scheme provides developmental loan at flexible terms and interest rate to encourage / promote development / innovation of new technology / process / product and its commercialization. Under the scheme, assistance is provided up to Rs.1 crore at a softer interest rate not exceeding five per cent.

**Flexible Assistance for Capital Expenditure (FACE)**

SIDBI has launched a new scheme, viz., Flexible Assistance for Capital Expenditure with separate repayment schedules for different components of the project. Further, the interest rate for each component would also be based on its tenure. MSMEs would, thus, have greater flexibility in repayments within one single project.

**2.11. INITIATIVES RELATING TO SFCs**

As per the Notification dated January 17, 2008, issued by the Government of India, by virtue of Section 4H of SFCs (Amendment), 2000, IDBI’s holdings in the shares of SFCs and outstanding loan in lieu of capital stand vested with SIDBI as on January 31, 2008. The Bank provides Regulatory directives and Capacity building for the benefit of officers of SFCs.
2.12 SIDBI AS NODAL AGENCY FOR GOVERNMENT SCHEMES

In addition to direct and indirect operations, SIDBI also plays a pivotal role in implementation of various schemes for MSME sector undertaken by the Government of India (Government of India) viz., Credit Linked Capital Subsidy Scheme (CLCSS) [Ministry of MSME], Technology Upgradation Fund Scheme for Textile Industry (TUFS) [Ministry of Textiles], Integrated Development of Leather Sector Scheme (IDLSS) [Ministry of Commerce and Industry] and Scheme of Technology Upgradation / Setting-up / Modernization / Expansion of Food Processing Industries (FPTUFS) [Ministry of Food Processing Industries].

2.13 CO-ORDINATION ROLE OF SIDBI

With the objective of all-round development of the MSME sector, SIDBI coordinates with a number of accredited technical and management institutions to synergise their services with MSME sector. Under its P and D initiatives, SIDBI has on-going collaborations with NGOs, Consultancy Organisations, Industry Associations and other national level organizations. The Bank also co-ordinated with various Ministries of Government of India, Government Committees, Planning Commission, Reserve Bank of India, Industry Associations and the like for the promotion and development of MSME sector in India. At the International level, SIDBI has entered into partnership with World Bank Group, Asian Development Bank, Japan; International Co-operative Agency (JICA), Japan; Department for International Development (DFID), the UK; International Fund for Agricultural Development (IFAD), Rome; Kreditanstalt fur Wiederaufbau (KfW), Germany; GIZ,
Germany; AFD, France and so on, for increasing its financial and promotional support to the sector.

2.14 POLICY ADVOCACY ROLE OF SIDBI

SIDBI plays a significant role in attending the key policy issues that are critical in establishing a facilitating frame work for the holistic development of the Indian MSME sector. The policy role under the MSMEFDP various issues and concerns of the MSME sector in the area of credit, sustainability, infrastructure, technology/ skill development and the like. SIDBI endeavors to attend to micro level policy issues through synergy and coordination with various Ministries of Government of India, Planning Commission, Reserve Bank of India, and other institutions including International Organisations like World Bank; ADB and JICA, Japan; IFAD, Rome; KfW and GIZ, Germany; AFD, France and the like.

2.15 SUMMARY

Industrial Development Bank of India played a catalytic role in the industrialization of the country in for about four decades as one of the All India development banks and also as the apex banking institution in the field of long term industrial finance. When the financial activities of small scale industries grew significantly, the need for separate apex bank for small scale industries was felt. There by Small Industries Development Bank of India (SIDBI) was established, to function as an apex bank for tiny and small industries. It functions as the principal financial institution for promotion, financing and development of industrial concerns in small scale sector and for the coordination of the functions of the institutions engaged in similar activities. SIDBI provides, financial support by way of refinance to eligible Prime Lending Institutions (PLIs) such as banks, State Financial Corporation (SFCs),
Micro Finance Institutions (MFIs) for onward lending to MSMEs and direct assistance to MSMEs. SIDBI is the nodal agency, for the implementation of some of the schemes of Government of India (GoI), for encouraging implementation of technology upgradation and modernization of the MSME sector. SIDBI is committed to attain the national goal of a broad based equitable and inclusive growth by providing micro credit through MFIs for on-lending to the bottom-of-the-pyramid segment of the society with special thrust on un-served and under-served regions of the country. It undertakes the promotional and developmental measures designed to achieve enterprise promotion resulting in setting-up new units and enterprise and strengthening to enable MSMEs to face the emerging challenges of globalization and growing completion through select interventions. In its continual strive towards meeting the diverse and developmental needs of the MSME sector, the Bank has crossed certain stepping stones that were brought out by tracing back towards its origin.
FOOT NOTES


5. SIDBI Annual Report, 1999-2000, p.8

6. Ibid., pp.7-8


9. Ibid., p.39
