

UNIT-5

SIDBI- SMALL INDUSTRIE DEVELOPMENT BANK:

The SIDBI (Small Industries Development Bank of India) is a wholly owned subsidiary of IDBI (Industrial Development Bank of India), established under the special Act of the Parliament 1988 which became operative from April 2, 1990.

SIDBI was made responsible for administering Small Industries Development Fund and National Equity Fund that were administered by IDBI before. SIDBI is the Primary Financial Institution for promoting, developing and financing MSME (Micro, Small and Medium Enterprise) sector.

Besides focussing on the development of the Micro, Small and Medium Enterprise sector, SIDBI also promotes cleaner production and energy efficiency. SIDBI helps MSMEs in acquiring the funds they require to grow market, develop and commercialize their technologies and innovative products. The bank provides several schemes and also offers financial services and products for meeting the individual's requirement of various businesses.

FUNCTIONS OF SIDBI (SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA)

- ✚ Small Industries Development Bank of India refinances loans that are extended by the PLIs to the small-scale industrial units and also offers resources assistance to them
- ✚ It discounts and rediscounts bills
- ✚ It also helps in expanding marketing channels for the products of SSI (Small Scale Industries) sector both in the domestic as well as international markets
- ✚ It offers services like factoring, leasing etc. to the industrial concerns in the small-scale sector
- ✚ It promotes employment oriented industries particularly in semi-urban areas for creating employment opportunities and thus checking relocation of people to the urban areas
- ✚ It also initiates steps for modernisation and technological up-gradation of current units
- ✚ It also enables the timely flow of credit for working capital as well as term loans to Small Scale Industries in cooperation with commercial banks
- ✚ It also co-promotes state level venture funds

MISSION AND VISION OF SIDBI

Mission – SIDBI aims to facilitate and strengthen credit flow to MSMEs. Besides offering financial assistance to MSMEs, SIDBI also provides developmental support to the MSME eco-system.

Vision – SIDBI aims to emerge as the go-to institution for financing support for MSMEs.

BENEFITS OFFERED BY SIDBI:

- **Credits tailored to suit the need of MSMEs** – One of the biggest difficulties faced by MSMEs in India is availing the required capital from banks and other lenders. SIDBI offers several loan products that are suited to the specific needs of MSMEs.
- **Affordable Interest Rates** – Since the SIDBI has partnerships with several banks and financial institutions in India and overseas (like the World Bank), it offers loans at attractive interest rates to MSMEs.
- **Collateral-free Funding** – Businesses can avail loans up to Rs. 1 crore from the SIDBI without submitting collateral.
- **Not just Financial Assistance** – Apart from providing loans, SIDBI also helps MSMEs grow by providing valuable entrepreneurial guidance and assistance.
- **Transparent Loan Process** – The loan application process and approval decisions are transparent. Additionally, SIDBI makes the interest rates, processing charges and other fees transparent, with no hidden charges.

FINANCE FACILITIES OFFERED BY SIDBI

Small Industries Development Bank of India, offers the following facilities to its customers:

Direct Finance

SIDBI offers Working Capital Assistance, Term Loan Assistance, Foreign Currency Loan, Support against Receivables, equity support, Energy Saving scheme for the MSME sector, etc.

Indirect Finance

SIDBI offers indirect assistance by providing Refinance to PLIs (Primary Lending Institutions), comprising of banks, State Level Financial Institutions, etc. with an extensive branch network across the country. The key objective of the refinancing scheme is to raise the resource position of Primary Lending Institutions that would ultimately enable the flow of credit to the MSME sector.

Micro Finance

Small Industries Development Bank of India offers microfinance to small businessmen and entrepreneurs for establishing their business.




EXPORT AND IMPORT BANK OF INDIA (EXIM):

The Export and Import Bank of India, popularly known as the EXIM Bank was set up in 1982. It is the principal financial institution in India for foreign and international trade. It was previously a branch of the IDBI, but as the foreign trade sector grew, it was made into an independent body.

The main function of the Export and Import Bank of India is to provide financial and other assistance to importers and exporters of the country. And it oversees and coordinates the working of other institutions that work in the import-export sector. The ultimate aim is to promote foreign trade activities in the country.

The management of the EXIM bank is done by a board, headed by the Managing Director. There are 17 other Directors on the board. The whole paid-up capital of the bank (100 crores currently) is subscribed by the Central Government exclusively.

FUNCTIONS OF THE EXIM BANK:

-  Finances import and export of goods and services from India
-  It also finances the import and export of goods and services from countries other than India.
-  It finances the import or export of machines and machinery on lease or hires purchase basis as well.

- ✚ Provides refinancing services to banks and other financial institutes for their financing of foreign trade
- ✚ EXIM bank will also provide financial assistance to businesses joining a joint venture in a foreign country.
- ✚ The bank also provides technical and other assistance to importers and exporters. Depending on the country of origin there are a lot of processes and procedures involved in the import-export of goods. The EXIM bank will provide guidance and assistance in administrative matters as well.
- ✚ Undertakes functions of a merchant bank for the importer or exporter in transactions of foreign trade.
- ✚ Will also underwrite shares/debentures / stocks/bonds of companies engaged in foreign trade.
- ✚ Will offer short-term loans or lines of credit to foreign banks and governments.
- ✚ EXIM bank can also provide business advisory services and expert knowledge to Indian exporters in respect of multi-funded projects in foreign countries

OBJECTIVES OF EXIM BANK:

- ✚ To ensure an integrated and co-ordinated approach in solving the allied problems encountered by exporters in India.
- ✚ To pay specific attention to the exports of capital goods;
- ✚ Export projection;
- ✚ To facilitate and encourage joint ventures and export of technical services and international and merchant banking;
- ✚ To extend buyers' credit and lines of credit;
- ✚ To tap domestic and foreign markets for resources for undertaking development and financial activities in the export sector.

INDUSTRIAL FINANCE CORPORATION OF INDIA (IFCI)

Industrial Finance Corporation of India (IFCI) is actually the first financial institute the government established after independence. The main aim of the incorporation of IFCI was to provide long-term finance to the manufacturing and industrial sector of the country.

Initially established in 1948, the Industrial Finance Corporation of India was converted into a public company on 1 July 1993 and is now known as Industrial Finance Corporation of India Ltd. The main aim of setting up this development bank was to provide assistance to the industrial sector to meet their medium and long-term financial needs.

The IDBI, scheduled banks, insurance sector, co-op banks are some of the major stakeholders of the IFCI. The authorized capital of the IFCI is 250 crores and the Central Government can increase this as and when they wish to do so.

FUNCTIONS OF THE IFCI:

- ✚ First, the main function of the IFCI is to provide medium and long-term loans and advances to industrial and manufacturing concerns.
- ✚ The Industrial Finance Corporation of India can also subscribe to the debentures that these companies issue in the market.
- ✚ The IFCI also provides guarantees to the loans taken by such industrial companies.
- ✚ When a company is issuing shares or debentures the Industrial Finance Corporation of India can choose to underwrite such securities.
- ✚ It also guarantees deferred payments in case of loans taken from foreign banks in foreign currency.
- ✚ There is a special department the Merchant Banking & Allied Services Department. They look after matters such as capital restructuring, mergers, amalgamations, loan syndication, etc.
- ✚ In the process of promoting industrialization the Industrial Finance Corporation of India has also promoted three subsidiaries of its own, namely the IFCI Financial Services Ltd, IFCI Insurance Services Ltd and I-Fin. It looks after the functioning and regulation of these three companies.

INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI):

Industrial Development Bank of India (IDBI) established under Industrial Development Bank of India Act, 1964, is the principal financial institution for providing credit and other facilities for developing industries and assisting development institutions.

Till 1976, IDBI was a subsidiary bank of RBI. In 1976 it was separated from RBI and the ownership was transferred to Government of India. IDBI is the tenth largest bank in the world in terms of development. The National Stock Exchange (NSE), the National Securities Depository Services Ltd. (NSDL), Stock Holding Corporation of India (SHCIL) are some of the Institutions which has been built by IDBI.

FUNCTIONS OF IDBI:

- ✚ Planning, promoting and developing industries with a view to fill the gaps in the industrial structure by conceiving, preparing and floating new projects.
- ✚ Providing technical and administrative assistance for promotion, management and expansion of industry.
- ✚ Providing refinancing facilities to the IFCI, SFCs and other financial institutions approved by the government.
- ✚ Coordinating the activities of financial institutions for the promotion and development of industries.
- ✚ Purchasing or underwriting shares and debentures of industrial concerns.
- ✚ Guaranteeing deferred payments due from industrial concerns and for loans raised by them.
- ✚ Undertaking market and investment research, surveys and techno-economic studies helpful to the development of industries.

In short, the IDBI is the leader, coordinator and innovator in the field of industrial financing in our country. Its major activity is confined to financing, developmental, co-ordination and promotional functions.

With the passing of the IDBI (Amendment) Act, 1986, the IDBI has been empowered to provide assistance to diverse range of industrial activities including the activities of services sector of industries like informatics, health care, storage and distribution of energy and other services contributing to value addition. The scope of business of the IDBI has also been extended to cover consulting, merchant banking and trusteeship activities.

IDBI Assistance:

The IDBI provides financial assistance either directly or through some specified financial institutions:

Direct Assistance:

The IDBI grants loans and advances to industrial concerns. There is no restriction on the upper or lower limits for assistance to any concern itself. The bank guarantees loans raised by industrial concerns in the open market from the State Co-operative Banks, the Scheduled Banks, the Industrial Finance Corporation of India (IFCI) and other 'notified' financial institutions.

Indirect Assistance:

The IDBI can refinance term loans to industrial concerns repayable within 3 to 25 years given by the IFCI, the State Financial Corporation and some other financial institutions and to SIDCs (State Industrial Development Corporations), Commercial banks and Co-operative banks which extend term loans not exceeding 10 years to industrial concerns. IDBI subscribes to the shares and bonds of the financial institutions and thereby provide supplementary resources.

DEVELOPMENTAL ACTIVITIES OF IDBI:

(1) Promotional Activities:

In fulfilment of its developmental role, the bank continues to perform a wide range of promotional activities relating to developmental programmes for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for accredited voluntary agencies for the economic upliftment of the underprivileged.

These include entrepreneurship development, self-employment and wage employment in the industrial sector for the weaker sections of society through voluntary agencies, support to Science and Technology Entrepreneurs' Parks, Energy Conservation, Common Quality Testing Centres for small industries.

(2) Technical Consultancy Organisations:

With a view to making available at a reasonable cost, consultancy and advisory services to entrepreneurs, particularly to new and small entrepreneurs, IDBI, in collaboration with other All-India Financial Institutions, has set up a network of Technical Consultancy Organisations (TCOs) covering the entire country. TCOs offer diversified services to small and medium enterprises in the selection, formulation and appraisal of projects, their implementation and review.

(3) Entrepreneurship Development Institute:

Realising that entrepreneurship development is the key to industrial development; IDBI played a prime role in setting up of the Entrepreneurship Development Institute of India for fostering entrepreneurship in the country. It has also established similar institutes in Bihar, Orissa, Madhya Pradesh and Uttar Pradesh. IDBI also extends financial support to various organisations in conducting studies or surveys of relevance to industrial development.


KVIC- KHADI AND VILLAGE INDUSTRIES COMMISSION:

Khadi and Village Industries Commission (The full form of KVIC) plans, promotes, organizes and implements programs for the development of Khadi and other village industries in rural areas nationwide. KVIC also helps in building up reserve of raw materials for supply to producers. The commission focuses in creation of common service facilities for processing of raw materials, such as semi-finished goods. KVIC has also helped in creation of employment in Khadi industry.

Khadi and Village Industries Commission (KVIC) is a statutory body of the Indian Constitution. It comes under the Ministry of Micro, Small and Medium Enterprises. It was established by Khadi and Village Industries Act, 1956. It has been amended twice, in 1965 and 2006. It is one among the important constitutional, statutory and quasi-judicial bodies of India.

OBJECTIVES OF KVIC:

The broad objectives of the Khadi Village and Industries Commission encompassing self-reliance and sustainability are:

-  To boost employment in the country.

- ✚ To promote the promotion and sale of Khadi articles
- ✚ To cater to the self-reliance doctrine of the country by empowering underprivileged and rural sections of the society.

FUNCTIONS OF KVIC:

The following are the functions of Khadi Village and Industries Commission:

- ✚ It plans, promotes, organizes, and implements programmes for the development of Khadi and Village Industries (KVI).
- ✚ It coordinates with multiple agencies that are engaged in rural development for several initiatives w.r.t khadi and village industries in rural areas.
- ✚ It maintains a reserve of raw materials that can be further promoted in the supply-chain.
- ✚ It aids in creating common service facilities that help in processing of raw materials.
- ✚ It aids the marketing of KVI products through artisans and other avenues.
- ✚ It creates linkages with multiple marketing agencies for the promotion and sale of KVI products.
- ✚ It encourages and promotes research and development in the KVI sector.
- ✚ It brings solutions to the problems associated with the KVI products by promoting research study and enhancing competitive capacity.
- ✚ It also helps in providing financial assistance to the individuals and institutions related to the khadi and village industries.
- ✚ It enforces guidelines to comply with the product standards to eliminate the production of ingenuine products.
- ✚ It is empowered to bring projects, programmes, schemes in relation to khadi and village industries' development.

PROGRESS OF KVIC:

The development of Khadi and Village Industries can be asked in the form of Essay in UPSC Mains. Hence, aspirants can take help from the latest report of KVIC, 'Two Years' Progress Report (2016-2018)' for important facts.

Some important highlights taken from the KVIC report regarding the Khadi and Village industries and the commission are:

- ✚ The Prime Minister of India, Narendra Modi quotes, “Earlier it was Khadi for the nation, Khadi for fashion, now it is becoming Khadi for transformation.”
- ✚ The Mission Solar Charkha has empowered women by bringing self-esteem and self-reliance among them.
- ✚ The significant transformation both in Khadi production and Khadi sales are mentioned from the figures below:
- ✚ The average Khadi production has grown from 6.52 percent in 2004-14 to 26.43 percent in 2015-18.
- ✚ The average Khadi sales grew from 6.62 percent in 2004-14 to 31 percent in 2015-18.
- ✚ The number of Khadi sales outlets funded for modernization stands at 728 between-2015-2018. There were no outlets reported between - 2004-2014.
- ✚ 400 computers, hardware and software have been supplied to Khadi institutions for digitalization between 2015 and 2018.
- ✚ Khaadi Haat was set up for the first time in 2018 in New Delhi.
- ✚ Digital India Pavilion was established by KVIC in the India International Trade Fair.
- ✚ A larger steel charkha at East Champaran was inaugurated in April 2018 to commemorate the visit of Mahatma Gandhi.
- ✚ KVIC gifted Gandhi Charkha to Uganda which was unveiled on the international day of non-violence. (Read about important national and international dates for UPSC from the linked article.)
- ✚ KVIC envisages an artisan-centric vision for the transformation in Khadi and Village industries.
- ✚ The five organs of the KVIC are mentioned in the report:

Organization

Community

Village Industry

Market

Heritage

- ✚ It has brought KVIC e-portal for Khadi institutions that help artisans promote and sell their KVI products across India.
- ✚ KVIC is the nodal agency to develop clusters for Khadi production under Scheme of Fund for Regeneration of Traditional Industries (SFURTI).

DIC-DISTRICT INDUSTRIES CENTRE:

The 'District Industries Centre' (DICs) programme was started by the central government in 1978 with the objective of providing a focal point for promoting small, tiny, cottage and village industries in a particular area and to make available to them all necessary services and facilities at one place.

The finances for setting up DICs in a state are contributed equally by the particular state government and the central government. To facilitate the process of small enterprise development, DICs have been entrusted with most of the administrative and financial powers. For purpose of allotment of land, work sheds raw materials etc., DICs functions under the 'Directorate of Industries'. Each DIC is headed by a General Manager who is assisted by four functional managers and three project managers to look after the following activities:

ACTIVITIES OF DISTRICT INDUSTRIES CENTRE (DIC):

- ✚ Economic Investigation
- ✚ Plant and Machinery
- ✚ Research, education and training
- ✚ Raw materials
- ✚ Credit facilities
- ✚ Marketing assistance
- ✚ Cottage industries

OBJECTIVES OF DISTRICT INDUSTRIES CENTRE (DIC):

The important objectives of DICs are as follows:

- ✚ Accelerate the overall efforts for industrialisation of the district.
- ✚ Rural industrialisation and development of rural industries and handicrafts.
- ✚ Attainment of economic equality in various regions of the district.
- ✚ Providing the benefit of the government schemes to the new entrepreneurs.
- ✚ Centralisation of procedures required to start a new industrial unit and minimisation- of the efforts and time required to obtain various permissions, licenses, registrations, subsidies etc.

FUNCTIONS OF DISTRICT INDUSTRIES CENTRE (DIC):

- ✚ Acts as the focal point of the industrialisation of the district.
- ✚ Prepares the industrial profile of the district with respect to :
- ✚ Statistics and information about existing industrial units in the district in the large, medium, small as well as co-operative sectors.
- ✚ Opportunity guidance to entrepreneurs.
- ✚ Compilation of information about local sources of raw materials and their availability.
- ✚ Manpower assessment with respect to skilled, semi-skilled workers.
- ✚ Assessment of availability of infrastructure facilities like quality testing, research and development, transport, prototype development, warehouse etc.
- ✚ Organises entrepreneurship development training programs.
- ✚ Provides information about various government schemes, subsidies, grants and assistance available from the other corporations set up for promotion of industries.
- ✚ Gives SSI registration.
- ✚ Prepares techno-economic feasibility report.
- ✚ Advices the entrepreneurs on investments.
- ✚ Acts as a link between the entrepreneurs and the lead bank of the district.
- ✚ Implements government sponsored schemes for educated unemployed people like PMRY scheme, Jawahar Rojgar Yojana, etc.
- ✚ Helps entrepreneurs in obtaining licenses from the Electricity Board, Water Supply Board, and No Objection Certificates etc.
- ✚ Assist the entrepreneur to procure imported machinery and raw materials.

STATE FINANCE CORPORATION (SFC)

The State Finance Corporations (SFCs) are an integral part of institutional finance structure of a country. Where, SEC promotes small and medium industries of the states. Besides, SFC helps in ensuring balanced regional development, higher investment, more employment generation and broad ownership of various industries.

At present in India, there are 18 state finance corporations (out of which 17 SFCs were established under the SFC Act 1951). Tamil Nadu Industrial Investment Corporation Ltd. Which is established under the Company Act, 1949, is also working as state finance corporation.

Organization and Management:

A Board of ten directors manages the State Finance Corporations. The State Government appoints the managing director generally in consultation with the RBI and nominates the name of three other directors.

All insurance companies, scheduled banks, investment trusts, co-operative banks, and other financial institutions elect three directors.

Thus, the state government and quasi-government institutions nominate the majority of the directors.

Functions of State Finance Corporations:

The various important functions of State Finance Corporations are:

- (i) The SFCs provides loans mainly for the acquisition of fixed assets like land, building, plant, and machinery.
 - (ii) The SFCs help financial assistance to industrial units whose paid-up capital and reserves do not exceed Rs. 3 crore (or such higher limit up to Rs. 30 crores as may be notified by the central government).
 - (iii) The SFCs underwrite new stocks, shares, debentures etc., of industrial units.
 - (iv) The SFCs grant guarantee loans raised in the capital market by scheduled banks, industrial concerns, and state co-operative banks to be repayable within 20 years.
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