

ROLE OF FINANCIAL INSTITUTIONS IN THE DEVELOPMENT OF MICRO AND SMALL INDUSTRIES IN INDIA

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Abstract:

The Small Enterprise Information and Research Centre Network (SENET), was launched in April 1997. SENET has been awarded the golden icon national award 2005 for "Best Documented Knowledge Resource" under professional category by the Department of Administrative Reforms and Public Grievances (DARPG), Government of India. In August 1984, the Government of India passed an Act converting the Industrial Reconstruction Corporation of India (IRCI). It is Industrial Reconstruction Bank of India (IRBI) the IRBI was established in March 1985 to take over the IRCI. The IRBI was to function as the principal all India credit and reconstruction agency for industrial revival, assisting and promoting industrial development and rehabilitating industrial concerns. The Tamil Nadu Investment Corporation Limited is an apex state level financial institution primarily intended for assisting the small and medium scale industrial units. Until the 1970's conventional Development Finance Corporations were considered as a main vehicle for channelling loan funds to small industries. The Bank under study may have specialized branches in each district to the loan requirements of the small-scale industries. Adequate delegation of power at the branch level may be given so as to avoid several layers of hierarchy in granting loans to SSI units.

Introduction:

Introduction: Generally, a 'Financial institution' is established mainly to provide longterm capital for Industries & agriculture. These financial Institutions play an important role in the development of SSIs and entrepreneurship. They have mostly been set up statutorily by the government but some private sector participation in the ownership and functioning of some of them may also exist. Usually recognized as specialized institution, they are also recognized as "Development Bank" or Term Lending Institution or "Special Development Financial Institution." In this context Government of India (GOI) started a series of financial institution since independence to provide term finance to the industry such as IFCI, SFCs, ICICI, IDBI, Unit Trust of India (UTI), National Industrial Development Corporation (NIDC) and National Small Industries Corporation (NSIC) etc.

Objectives of the Study

The objectives of this study are to briefly highlight on the functional scenario of micro, small and medium enterprises in India, to focus on the huge growth potential and opportunities available for development of this sector; to identify some important issues, challenges and constraints confronted by these enterprises and to offer suggestions to overcome the same

Literature Review

Although the MSMEs continue to dominate the industrial sector in most of the countries including India, the literature and the studies on their varied functioning are not many

especially with reference to changing perspectives. The available research literature rather indicates some missing gaps that need to be addressed appropriately.

Christopher J. Green, Colin H. Kirkpatrick, and Victor Murinde, (2006) in their paper have examined the ways in which financial sector development policy might contribute to poverty reduction, particularly by supporting the growth of micro and small enterprises (MSEs). This paper highlights on the changing role of MSEs in the development process and the access of MSEs to informal and formal finance, including the role of microfinance. Nanda, Ramana & William R. Kerr (2009) have expressed the view that financing constraints are one of the biggest concerns impacting potential entrepreneurs around the world.

De, Sankar (2009) in his article has viewed that SME's in India face many challenges, but perhaps none are as difficult as the challenge of financing, both short term and long term.

K, Vasanth, Majumdar M., K. Krishna (2012) in their paper have stated that since several successful models of the sustainable SME are gradually evolving, networks of SMEs would become essential for addressing the systemic problems underlying the industrial ecology, enterprise resilience, and global supply chain sustainability. Great Lakes Herald March 2017, Volume 11 Issue No 1 Page 79

Export-Import Bank of India, (2012) has critically analysed the present situation of MSMEs and support systems available in India as well as in the global context. It has suggested that MSMEs in India should have access to alternative sources of capital like angel funds/risk capital etc. and that existing laws should effectively address issues like insolvencies/bankruptcies; need to redefine the ceiling limits to encourage MSMEs to move up the value chain and need for cluster development approach to increase the level of competitiveness.

Srinivas K T, (2013) has studied the performance of micro, small and medium enterprises, and their contribution in India's economic growth and concluded that MSMEs play a significant role in inclusive growth of Indian economy

Non-financial assistances to small-scale industries

Small industries continue to remain an important sector of the Indian economy. On seeing the contribution of this sector the government is extending various non-financial assistances to these industries. In the era of globalization small industries have to face the competition directly from the large industries. In this process some of the small units become unviable and sick. As the governments is always for strengthening small-scale industries it not only ensures regular supply of credit but also extends various non-financial assistances by establishing different specialized institutions.

Small Industries Development Organisation (SIDO)

The small industries development organization (SIDO) functions as an apex body concerned with planning the policy and co-ordinating the institutional activities both at the central and state level for implementing programmes for the development of small-scale industries.

SIDO is the nodal agency for formulating, co-ordinating and monitoring the policies and programmes for promotion and development of small-scale industries in the country. It maintains close liaison with the central ministries, Planning Commission, State Governments, financial institutions, voluntary organizations and other agencies concerned with the development of small-scale industries. It provides comprehensive range of facilities and services including, consultancy in techno-economic managerial aspects, training, common facility services, common processing and testing facilities, cooling facilities, and marketing assistance to small scale units. It provides these services through a network of small industrial services institute.

The SIDO provides a comprehensive range of common facilities, technology support services, marketing assistance, entrepreneurial development support, and the here, through its network of 30 Small Industries Service Institutes (SISIs), 28 branches of SISIs, four Regional Testing Centre's (RTCs), seven Field Testing Stations (FTSs), two Small Entrepreneur Promotion and Training Institution (SEPTIs) and one hand tool design development and training centre. The SIDO also has a network of tool rooms and process-cum product development centers (PPDCs) to provide technology and training support. These institutions are run as autonomous bodies, registered as societies under the Societies Act. Over the last 52 years, the SIDO has served a very useful purpose as a catalyst of growth of the micro, small and medium enterprises through its vast network of field organizations spread all over the country [6].

Small-scale Industries Service Institute (SISI)

Small Industries Service Institutes (SISIs) were set up to provide consultancy and training to small-scale enterprises-both existing and prospective. There are 30 SISIs and 28 branches of SISIs in the state capital and other places all over the country. The important functions performed by SISIs are interface between central and state governments, dissemination of economic information, technical support services, preparation of project profiles, holding of entrepreneurship development programmes, management and skill development programmes, providing advisory services on energy conservation, pollution control, quality control export promotion, market surveys, and the like.

Small-scale industries board

The Small-Scale Industries (SSI) board was setup by central Government in 1954 to facilitate co-ordination and inter-institutional linkages and to render advice to the government on various policy matters concerning the development of SSI sector. The term of the SSI Board is for two years. Industry Associations provide support to the SSI sector and boards provide common platform to raise industry related issues.

Small Enterprise Information and Research Centre Network (SENET)

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❖ To pioneer, create and promote web-based data base of all relevant information, data, and the like, for the benefit of small scale sector;

❖ To facilitate easier on-line access to information seekers, especially the small scale sector, by networking to the extent possible, all relevant data from central and state governments, government agencies engaged directly or indirectly in the promotion, development, etc, of the MSME sector, national and state level industry associations, NGOs, etc.

National entrepreneurship development institutes

The entrepreneurship development and training is one of the key elements for the promotion of micro, small and medium enterprises (MSMEs), especially for creation of new enterprises by the first generation entrepreneurs. In order to inculcate the entrepreneurial culture amongst the first generation of entrepreneurs on a regular basis, the Ministry has set up three national entrepreneurship development Institutes namely, National Institute for Micro, Small and Medium Enterprises (NI-MSME) at Hyderabad, National Institute for Entrepreneurship and Small Business Development (NIESBUD) at Noida (Uttar Pradesh) and Indian Institute of Entrepreneurship (IIE) at Guwahati, as autonomous societies. These institutes are engaged in developing training modules; undertaking research and training; and providing consultancy services for entrepreneurship development and promotion of MSMEs, including enhancement of their competitiveness.

National Institute of Small Industries Extension Training (NISIET)

The NISIET, formerly known as Central Industrial Extension Training Institute (CIETI), was set up in 1960 at New Delhi as a department of central government under the Ministry of Commerce and Industry. Its main objective was to provide training to the personnel of the central small industries organization as well as the departments of industries of the state government. Subsequently, in 1962, it was shifted to Hyderabad and converted into an autonomous society. In 1984, the institute was renamed as National Institute of Small Industry Extension Training (NISIET). NISIET's role has largely benefited the India a micro, small and medium enterprises (MSMEs) but also in other the different activities.

Conclusion:

The Governments both central and state-have setup several institutions and centers to support small scale industries. Their functions include project appraisals, construction of infrastructure facilities, distribution of raw materials, provision for machinery on hire-

purchase scheme, reservation of items for production by small scale industries, and the like. A number of financial institutions offer different schemes to relieve the financial burden of the small-scale units. Industry wise lending to SSI at all the India level, Tamil Nadu have been discussed in order to give a comprehensive picture of the financial support available to SSI.

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