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B. Com part -2 subsidiary paper -4 Monetary Theories and financial institutions

Unit -4 lecture-5

❖ **Small Industries Development Bank of India (SIDBI) :**

SIDBI is The wholly owned subsidiary of IDBI and is engaged in meeting financial needs of Small scale industrial units. The decision to set up SIDBI was announced in the Budget of 1988-89 and it actually started working form 2nd April 1990. It functions as An apex institution in the area of SSI finance. It plays the role of a coordinator among The activities of Commercial Banks, Co-operative Banks, Regional Rural Banks, State Finance Corporations and State Industrial Development Corporation.

❖ **Functions of SIDBI**

- 1. Providing refinance to primary institutions engaged in SSI financing.**
- 2. Providing short and medium term loan assistance to SSIs.**
- 3. Discounting and rediscounting bills of exchange.**
- 4. Extending seed capital / soft loans to entrepreneurs.**
- 5. Providing export credit to the SSIs, small entrepreneurs in the purchase Of assets, raw material / finished products etc.**

❖ Financial Assistance of SIDBI (Rs. In Crores)

Particulars Sanctioned loans Actual loans distributed

1990-91	2410	1840
1994-95	4000	3390
2000-01	10820	6440

SIDBI has played an important role in the sphere of SSI finance since 1990. It has supported the development of SSI units through the provision of loans, Coordination among financial institutions, discounting and rediscounting of bills etc.

- ❖ **State Financial Corporations (SFCs) :** Govt. of India passed State Financial Corporations Act in 1957 and accordingly every state (except Jammu Kashmir) established State Financial Corporation with a view to provide financial Assistance to production units of their states. These SFCs help small & medium Enterprises

from their respective states. At present, 18 states have set up SFCs And their share capital is being subscribed to by respective state Govts, RBI, Public-sector Banks, Companies, Co-operative banks and private people.

Nature of these SFCs is similar to IFCI. Their functions include extending Loans with the maturity up to 25 years, guaranteeing the loans, maximum loan of Rs.10 lakhs to a single institution. (at present this limit is Rs.60 lakhs to co-operative Institutions and Rs.15 lakhs to private institutions.)

❖ **Performance of SFCs. (Rs. In Crores)**

Particulars	Sanctioned loans	Loans distributed
1980-81	370	250
1990-91	1860	1270
2000-01	2800	2000
2001-02	2080	1760

❖ State Industrial Development Corporations (SIDCs) :

Indian State Govts started setting up State Industrial Development Corporations after 1960. It was first in Bihar and later in other states that the SIDCs were established. Until 2002, 28 states and Union territories have constituted SIDCs.

Providing loan assistance to small & medium enterprises in the state, important and essential information, different facilities, setting up industrial units in backward Regions of the state and promoting balanced development of the State, are the important functions of the SIDCs.

❖ Performance of SIDCs (Rs. In Crores)

Particulars	Sanctioned loans	Loans distributed
1980-81	19	11
1990-91	216	125
2000-01	2080	1660
2001-02	2100	1720

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Easy to Understand the concept