

## **EVALUATION OF FINANCIAL PERFORMANCE OF SIDBI (For the Period 2012-13 to 2016-17)**

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### **ABSTRACT**

*Small Industrial Development Bank of India (SIDBI) plays an important role in promoting small scale industries. It is a source of finance for Micro, Small and Medium enterprise which includes agriculture industries and trade. The schemes of SIDBI are designed to provide deposits and loans to beneficiaries according to priorities of nation. It branches provide succor to disadvantaged sections of the nation in far-flung area where bank or finance related institution are not established. It provide the infrastructure on which agriculture; industries and trade of nation depends. They can allocate available resources by mobilizing deposits and advancing credit into the best possible uses according to national priorities. By opening branches in un-banked and under-banked areas, the banks can spread magnetization, thereby introducing a larger market economy in place of natural economy. By providing loans to agriculture and small-scale sector they can solve the problems of unemployment and under employment. Hence in the present paper an attempt is made to evaluate the financial position of the SIDBI.*

**Keywords:** Financial Performance, SIDBI, MSME'S, Dividend to Shareholders, Net Profit

### **Introduction**

The financial status of any business or industries is represented on the basis of its revenue and earnings. In the word of Keynes, profit is an engine that regulates the business enterprise. The Small Industries Development Bank of India (SIDBI) was set up in 1990 under an Act of Parliament- The SIDBI Act, 1989. The Government of India and the State government have been pursuing a policy of protecting and promoting small-scale industries for a long time. Small- scale industries have been accorded pride of place in the planned industrialization process of the Indian economy, which is characterized by among other factors low productivity in the SSIs abundant labour and scarcity of capital. The comparatively easy dispersal of small-scale industries in the rural and economically backward areas has an added advantage of increasing incomes in these places. The interest income of SIDBI comprises of interest and discount on loans, advances and bills. The bank incurs interest expenditure in the form of financial charges every year. The difference between interest received and interest paid is known as spread. A higher interest spread is a positive indicator for bank's profitability.

The business planning of SIDBI is to direct the financial and non-financial differences in ecosystem of MSME. Financial assistance to MSME is Indirect/refinance to banks/financial institutions for onward lending to MSME. The MSME sector has emerged as a dynamic sector of the Indian economy over the last five decades. MSMEs contribute enormously to the socio-economic development of the country. MSME have a large share of jobs, production and exports. The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. Ministry of Agro and Rural Industries and Ministry of Small Scale Industries have been merged into a single Ministry, namely, "MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES" to direct and govern the establishment, registration and functioning of MSMEs.

Financial soundness of any business is very important and plays a crucial role for its development. All the activities of a business depend upon the efficiency and effectiveness of the finance department. Hence, it is essential to monitor the financial performance of any institution. The present study is an effort evaluate the financial position of the SIDBI from FY 2012-13 to 2016-17.

### **Objectives of the Study**

- To estimate the financial position of SIDBI.
- To find out trend in the financial performance of the SIDBI.
- To review the assistance provided by the SIDBI

### **Research Methodology**

This paper is based on secondary source of data from annual reports of SIDBI, journals, research papers, internet etc. In the present research paper or the study paid up capital, net worth, total income, net profit

reserves and funds, dividend to shareholders have been estimated to evaluate or estimate the financial condition and position of SIDBI. The present study is made for seven years from 2012-13 to 2016-17. Various publication of SSI, Government reports and financial institution publications have been used for this purpose. Other information related to the industries have been collected from The Economics Times, Financial Express, R.B.I. Bulletin, other periodicals, Journals and from various Websites. The collected data and information will duly edited, classified and analysed using all type of relevant tools techniques.

## Literature Review

**Pietro Calice et al. (2012)** in his article entitled "Bank Financing to Small and Medium Enterprises in East Africa", Findings of a Survey in Kenya, Tanzania, Uganda and Zambia" point out that the SME segment is a strategic priority for the banks in the region Banks consider that the SME lending market is large, not saturated and with a very positive outlook. A number of obstacles are, however, constraining banks" further engagement with the SME segment, including SME-related factors, macroeconomic factors, business regulation, and the legal and contractual environment, the lack of a more proactive government attitude towards the segment, some areas of prudential regulation, and some bank-specific factors.

**Obamuy (2010)** in his article entitled "Firms Performance and Lending Constraints in Nigeria", examines how banks' lending affects firm's performance by taking a sample of 260 SMEs from the ten local governments in Ondo State, Nigeria. The study reveals that firms were reluctant to obtain loans from the banks because of high interest rate and stringent lending policies. The government should formulate policies that will compel banks to relax their stringent regulations, which discourage borrowings. The findings further suggest that the firms that received bank loans performed better than those without loans.

**Suresh (2012)** in his article entitled "Study on Assessing the Performance of Micro, Small and Medium Enterprise of Canara Bank", suggests that the MSMEs are facing problems in obtaining finance for marketing, technology, research and development, infrastructure etc., because they cannot afford high investments. To reduce these problems of MSMEs the banks provide various schemes and new products for 35 MSME. The bank provides various facilities for both manufacturing and service sector.

**Arun Thukral (2011)** in his article entitled "SMEs to Know the Borrower's Credit Worthiness", suggests that availability of credit is the biggest problem in the Small and Medium enterprises across the country. This problem is widely discussed on all the platforms and corrective measures have been formulated for policy guidelines. Many banks are striving to ensure credit flow to the larger segment. Still nothing could have taken place significantly. Reality is that only paper achievements are being shown in the financial results or annual books of these institutions. He concludes that the banks offer credit information services to its customer's base that includes individual and businesses.

**Ramesh Datla (2011)** suggests in his article entitled "MSMEs Business Confidence Declines" that an allocation of Rs.5000 crores in the Union Budget 2011-12 to SIDBI for refinancing incremental lending by banks to MSMEs enterprises. In addition, he suggests that credit cost for working capital and capacity expansion and credit availability are critical for the SMEs.

## Measures Used For Financial Performance Evaluation of SIDBI

To evaluate the financial position of the SIDBI various measures are used in the present study, such as net worth, paid up capital, total income, net profits, reserves & funds, dividend to shareholders etc.

## Objectives of SIDBI

**Promotion:** - Enterprise promotion, HRD, technology upgradation, environmental and quality management, information dissemination, market promotion.

**Coordination:** - Coordinating the working in institution

**Finance:** - Direct, indirect and microfinance facilities.

**Development:** - It works for the development of MMEs and a pursuing opportunities for growth of existing MSMEs.

## Business Province of SIDBI

The business province of SIDBI includes Micro, Small and Medium enterprises (MSME) which contribute remarkably to the nation's economy in terms of production employment and exports. The business domain of SIDBI consists of small-scale industrial units, which contribute significantly to the national economy in terms of production, employment and exports. Small-scale industries are the industrial units in which the investment in plant and machinery does not exceed Rs.10 million. About 3.1 million such units, employing 17.2 million persons account for a share of 36 per cent of India's exports and 40 per cent of industrial manufacture.

### **Development outlook**

**Cluster Development** Cluster development support remains one of the key thrust areas of your Bank which include skill development, enterprise development, creation of market linkages, various specialised services, etc.

**Skill & Entrepreneurship Development** With a view to strengthen the technical and managerial capacities of the MSME entrepreneurs, the Bank supports reputed management/ technology institutions to offer certain structured management/ skill development programmes, viz. "Skill-cum-Technology Up-gradation Programme" (STUP) and "Small Industries Management Programme" (SIMAP).

**MSME Advisory** SIDBI has appointed retired bankers as Knowledge Partners (KPs) for guiding new/existing entrepreneurs regarding the various sources of MSME related information, schemes of SIDBI/commercial banks/FIs, government subsidies/benefits, providing credit linkages, debt counselling and support services for MSMEs.

**Financial Literacy** The Bank is implementing the Poorest States Inclusive Growth (PSIG) Programme with support of Department for International Development (DFID), Government of United Kingdom to mainly women, in four states, viz. Uttar Pradesh, Madhya Pradesh, Bihar and Odisha.

**Digital Financial Literacy** In order to provide the much required impetus to the Micro-business, 112 Digital Financial Literacy Programmes (DFLP) have been conducted across seven states covering 107 micro business clusters and trained nearly 6,500 artisans. Out of these, 40% were female artisans.

**Promoting Innovation and Incubation** SIDBI had supported the National Innovation Foundation, Ahmedabad by way of corpus support for setting up Micro Venture Innovation Fund (MVIF) to the extent of 850 lakh which benefited more than 200 innovations.

### **Financial Position of SIDBI**

The outstanding portfolio of SIDBI increased by 4% to 68,290 crore as on March 31, 2017 from 65,632 crore as on March 31, 2016. The total asset base increased by 4.2% to 79,682 crore in FY 2016-17 from 76,478 crore in FY 2015-16. The total income during the financial year increased to 6,346 crore as compared to 5,785 crore during the previous year. The Profit before Tax for the year was 1,687 crore, compared to 1,636 crore in the previous year. The net profit after tax and Deferred Tax Adjustment for the year was 1,120 crore as against 1,177 crore in the previous year. The Bank has declared a dividend of 18% for the year and continues its uninterrupted dividend payment record since inception.

### **DATA ANALYSIS AND FINDINGS**

**Total Income** - Total income of the SIDBI includes both interest income and non-interest income.

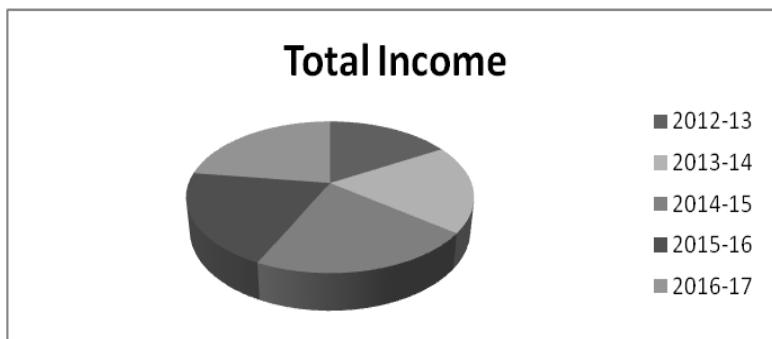
**Table 1**

**Total income (Rs in crore)**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	Average
<b>Total income</b>	4557.6	5186.0	5938.5	5559.5	6266.5	5501.62

Source: Annual reports of SIDBI

### **Graph 1**



Source: Annual reports of SIDBI

### **Compiled from annual reports**

It is clear from the above table and graph that total income of the SIDBI was Rs. 4557.6 cr during 2012-13. During 2013-14 total income was Rs 5186.0 cr. While it was Rs 5938.5 cr in the 2014 -15. In the last year of the study i.e. 2016-17 the total income was Rs 6266.5 crore from this trend we analyse that total income of SIDBI increases continuously.

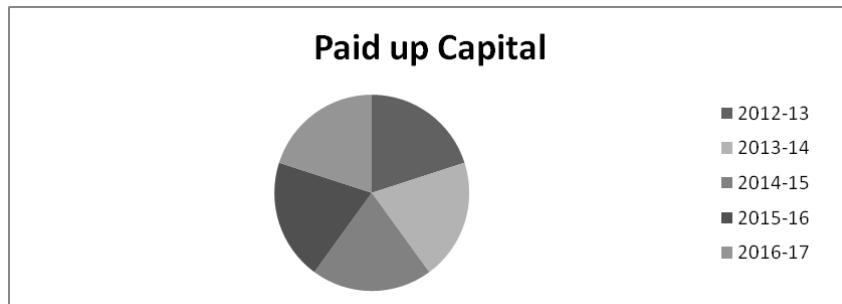
**Paid up capital:** table no.2 show paid up capital of the SIDBI during the period 2012-13 to 2016-17

**Table 2**  
**Paid up capital (Rs. In crore)**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	Average
<b>Paid up capital</b>	450	450	450	450	450	450

Source: Annual reports of SIDBI

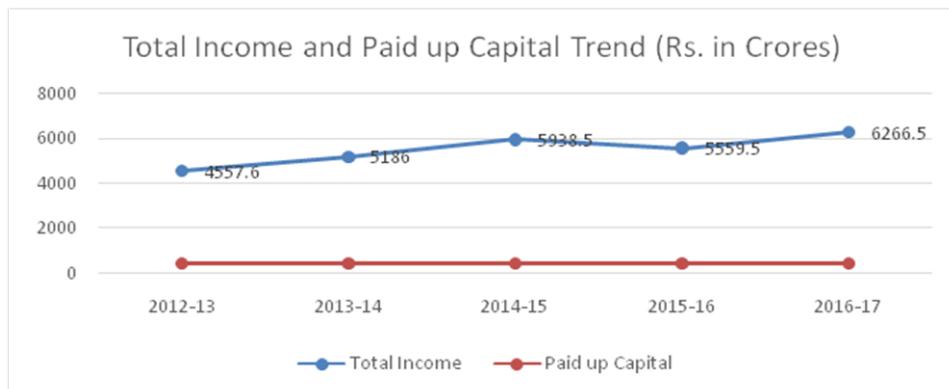
**Graph 2**



Source: Annual reports of SIDBI

**Initial capital**

**Graph 3**



Source: Annual reports of SIDBI

#### Compiled from annual report of SIDBI

Above table and pie chart depicts that the paid up capital of SIDBI is Rs 450 crore during the whole period of the study.

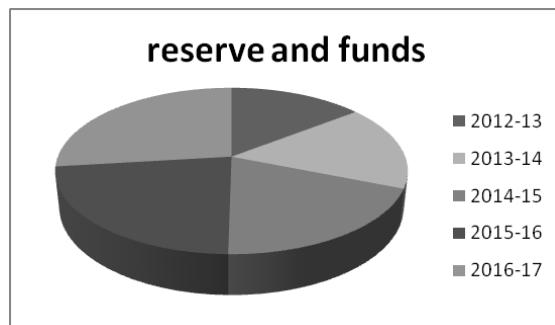
**2 .RESERVE AND FUND:** table no. 3 show reserve and funds of the SIDBI during the period 2012-13 to 2016-17

**Table 3**  
**Reserves and funds (Rs in crore)**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	average
<b>Reserve and funds</b>	7053.3	8042.3	9329.6	11108.3	13069.5	4835.56

Source: Annual reports of SIDBI

**Graph 4**



Source: Annual reports of SIDBI

### Compiled from annual reports

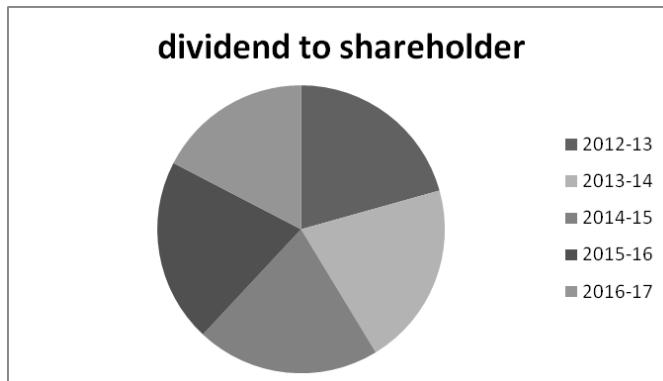
The reserve and funds shows increasing trends during the period of study. High reserve and fund shows better financial position. The study observed that total reserves and funds of SIDBI have registered significant increase during the period. As a result, the net worth of the bank also grew over the study period. Further, the total number of deposits in SIDBI has increased but with wider fluctuations during the reference period. This was due to variation in the amount of funds received by the bank from other banks under various schemes.

#### 4- Dividend to Shareholder

**Table 4**  
**Dividend to shareholder (Rs in crore)**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	average
Dividend to shareholders	112.5	112.5	112.5	112.5	94.7	468.94

#### Graph 5



Source: Annual reports of SIDBI

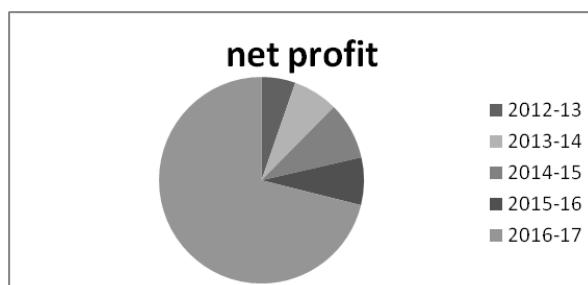
While studying the above table and graph we find that the dividend paid to shareholders are 112.5crore during 2012-13. During 2013-14 are 112.5crore, while these are Rs 112.5 crore during 2014-15. 112.5 crores during the year 2015-16 and finally in the last year of these becomes to Rs 94.7 crore. From the above discussion we find that the shows constant trends during the whole period of study but in 2016-17 it decreases as compare to prior years.

**5. Net profit:** Net profit of the SIDBI is shown by the table no. 5 high net profit shows better financial position.

**Table 5**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	Average
Net profit	837.4	1,118.3	1,417.1	1,177.5	1,120.2	1134.1

Source: Annual reports of SIDBI



Source: Annual reports of SIDBI

### Compiled from annual reports

While studying the above table and graph we find that the net profit is 837.4 crore during 2012-13. During 2013-14 reserves and funds are 1,118.3 crore, While these are Rs. 1,417.1 crore during 2014-15. 1177.5 crores during the year 2015-16 and finally in the last year of these become to Rs. 1120.2 crore. From the above discussion we find that the shows increasing trends during the whole period of study but in 2016-17 net profit of SIDBI decreases as compare to prior years.

The interest income of SIDBI comprises of interest and discount on loans, advances and bills. The bank incurs interest expenditure in the form of financial charges every year. The difference between interest received and interest paid is known as spread. A higher interest spread is a positive indicator for bank's profitability.

### **Conclusion**

In the present paper represent the evaluation of the financial position of the SIDBI from 2012-13 to 2016-17. In the present paper many parameters used to analyse the financial position of SIDBI. After finalizing all the parameters individually researcher find out all that parameters which are used to finalize or evaluate the financial position are increasing but in the year 2016-17 net profit and dividend to shareholder decreases as compare to their prior years. Hence, in the end we can conclude that the financial position of the SIDBI is not very sound during the period of the study. For the development of MSMEs SIDBI provided various schemes. It has been observed that most of the growth variables have positive and significantly correlated with dependent variable i.e. loans and advances.

### **Discussion/ Suggestions**

- The study observed that total reserves and funds of SIDBI have registered significant increase during the period. High reserve and funds shows better financial position. The reserve and funds shows constant trends during the whole period of study but in 2016-17 it decreases as compare to prior years.
- The total income of the SIDBI is continuously increasing which is good sign for the company but in the year 2015-16 it has been declined so company should be ready to bear the loss as may happen in some cases.
- The paid up capital of the company is constant over the period and it earns sufficient profits from it then company must think about the expansion of the business plan and can take risks for future events.
- SIDBI paid the dividends in constant manner in first 4 years in which total income is increased, so company requires to increase the dividend according to the increase in the profits that should be in rational manner.

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