



An analysis of financial performance of SIDBI

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Abstract

The Indian Small Industrial Development Bank (SIDBI) is a key player in the growth of small-scale industries. It serves as a source of funding for micro, small, and medium-sized businesses, including those in the commerce and agriculture sectors. The goals of SIDBI's plans are to give beneficiaries loans and deposits based on national priorities. Its offices offer assistance to underprivileged regions of the country in remote areas without established banks or financial institutions. It provides the infrastructure needed for national trade, industry, and agriculture. By increasing credit and mobilizing deposits, they can distribute the available resources in the most efficient ways in line with national interests. The banks can extend magnetization and replace the natural economy with a wider market economy by opening branches in underbanked and unbanked areas. By making loans available to small-scale industries and agriculture have the potential to address the issues of underemployment and unemployment. Therefore, an attempt is made to assess the SIDBI's financial situation in the current study.

Keywords: Financial performance, SIDBI, MSME'S, dividend to shareholders, net profit

Introduction

Revenue and earnings are the primary indicators of a business's or industry's financial health. According to Keynes, profit is the driving force for business firm regulation. The SIDBI Act, 1989, a parliamentary act, established the Small Industries Development Bank of India (SIDBI) in 1990. For an extended period, the Indian government and state governments have been implementing a policy aimed at safeguarding and advancing small-scale companies. In the course of India's planned industrialization, small-scale industries have been given special attention. These businesses are marked by a number of characteristics, including low productivity in SSIs, an abundance of labor, and a lack of capital. An further benefit of small-scale companies' relatively simple dispersion in rural and economically underdeveloped areas is that it raises incomes in these areas. Interest and discounts on loans, advances, and bills make up SIDBI's interest income. Each year, the bank has to pay interest through financial charges. The term "spread" refers to the variation between interest paid and interest received. An increased interest spread is a sign of a profitable bank. SIDBI's business planning oversees the financial and non-financial distinctions within the MSME ecosystem.

Refinancing to banks or other financial institutions for subsequent lending to MSME is an indirect kind of financial support. Over the past 50 years, the MSME sector in India's economy has grown to be a vibrant one.

MSMEs have a significant impact on the nation's socioeconomic development. MSMEs contribute significantly to exports, employment, and output. State governments bear the primary duty for the growth and promotion of MSMEs. Nonetheless, the Indian government uses a number of initiatives to support the work done by the state governments. In order to oversee and regulate the creation, registration, and operation of MSMEs, the Ministries of Agro and Rural Industries and Small Scale Industries have combined to form the "MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES."

Any business's ability to maintain a healthy balance sheet is essential to its success. The efficacy and efficiency of the finance department affects every aspect of a firm. Thus, it is critical to keep an eye on any institution's financial performance. The goal of the current study is to assess the SIDBI's financial standing from FY 2015-16 to FY 2019-20.

Objectives of the Study

- To estimate the financial position of SIDBI.
- To know about the trend in the financial performance of the SIDBI.
- To Analysis of the financial assistance provided by the SIDBI

Research Methodology

The secondary sources of data used in this article are the SIDBI annual reports, journals, research papers, the internet, etc. The paid-up capital, net worth, total income, net profit reserves and funds, and dividend to shareholders have all been estimated in the current research paper or study to assess or gauge SIDBI's financial situation. This analysis covers the five-year period from 2015-16 to 2019-20. For this, a variety of SSI publications, government papers, and financial institution materials have been used. Additional data on the industries has been gathered from. Additional data on the industries has been gathered from. Magazines, journals, The Economics Times, Financial Express, R.B.I. Bulletin, and from a variety of websites. The information and data gathered will be appropriately edited, categorized, and analyzed using all applicable tools and procedures.

Data analysis and findings

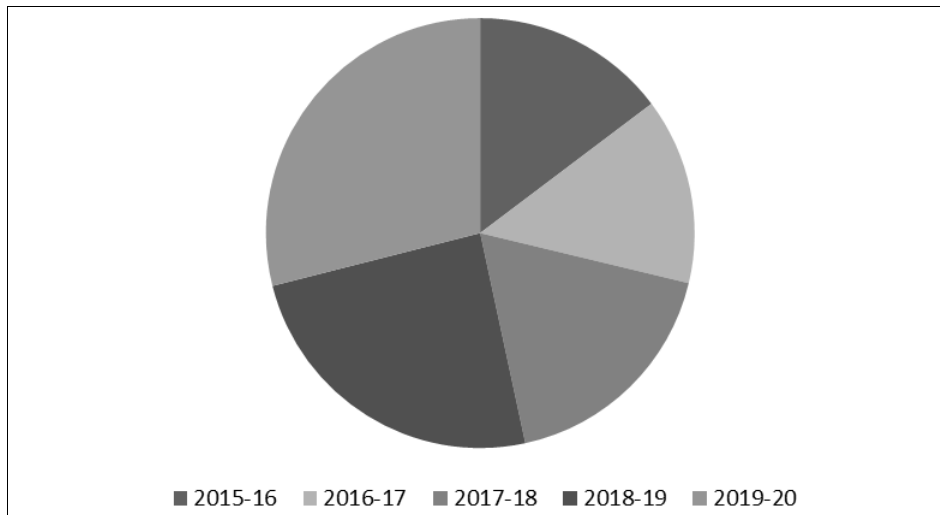
1. Analysis of Total Income: Total income of the SIDBI includes both interest income and non-interest income. It is evident from the table1 there is total income of SIDBI 5559.5 Cr in 2015-16 and 11137.32 Cr in 2019-20. There is average paid up capital of during the study of SIDBI is 7887.664 Cr. Total growth in Paid Capital of SIDBI was 5577.82Cr approx.

Table 1: Total income (Rs in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	Average
Total Income	5559.5	6266.5	6556	9919	11137.32	7887.664

Source: Annual reports of SIDBI

Graph 1



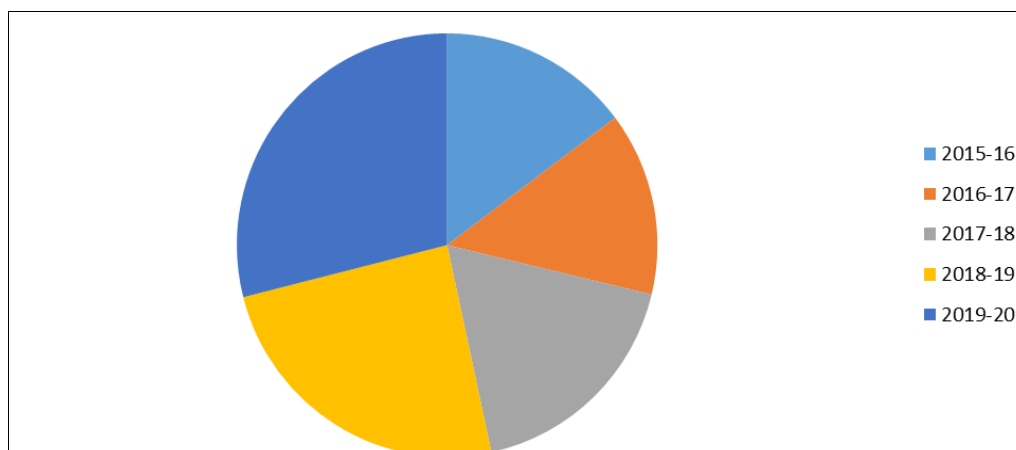
Source: Annual reports of SIDBI

Compiled from annual reports

It is clear from the above table and graph that total income of the SIDBI was Rs.5559.5 cr during 2015-16. During 2016-17 total income was Rs 6266.5 cr. While it was Rs 6556.0 cr in the 2017 -18. In the last year of the study i.e. 2019-20 the total income was Rs 11137.32 crore from this trend we analyse that total income of SIDBI increases continuously.

2. Analysis of Paid up capital: Table no. 2 show paid up capital of the SIDBI during the period 2015-16 to 2019-20. It is evident from the table 2 there is paid up capital of SIDBI 450.0 Cr in 2015-16 and 531.92 Cr in 2019-20. There is average paid up capital of during the study of SIDBI is 519.006 Cr. Total growth in Paid Capital of SIDBI was 81.92 Cr approx.

Graph 2



Source: Annual reports of SIDBI

Table 2: Paid up capital (Rs in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	Average
Paid up capital	450	450	531.92	531.92	531.92	519.006

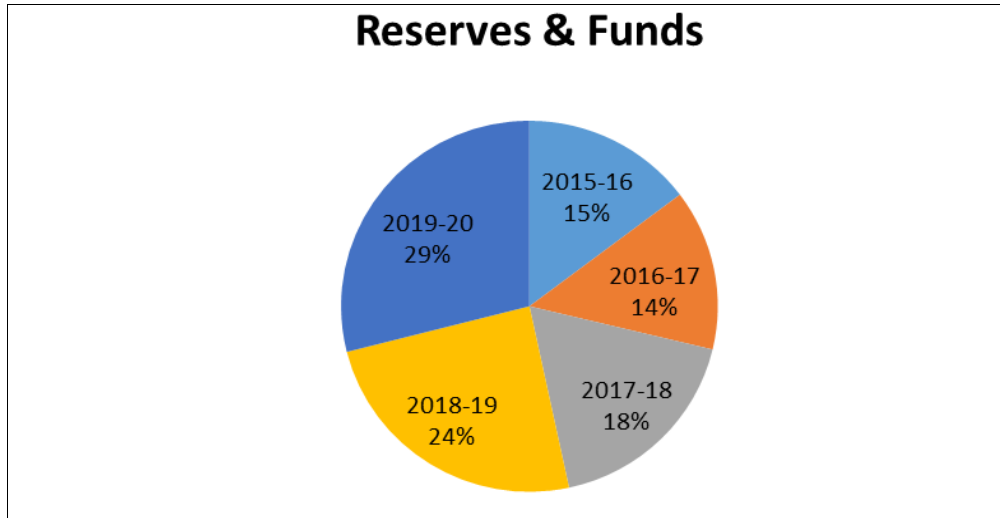
Source: Annual reports of SIDBI

Table 3: Reserves and funds (Rs in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	Average
Reserves and funds	11108.3	13069.5	14359.9	16153.16	18465.54	14631.28

Source: Annual reports of SIDBI

Graph 3



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.

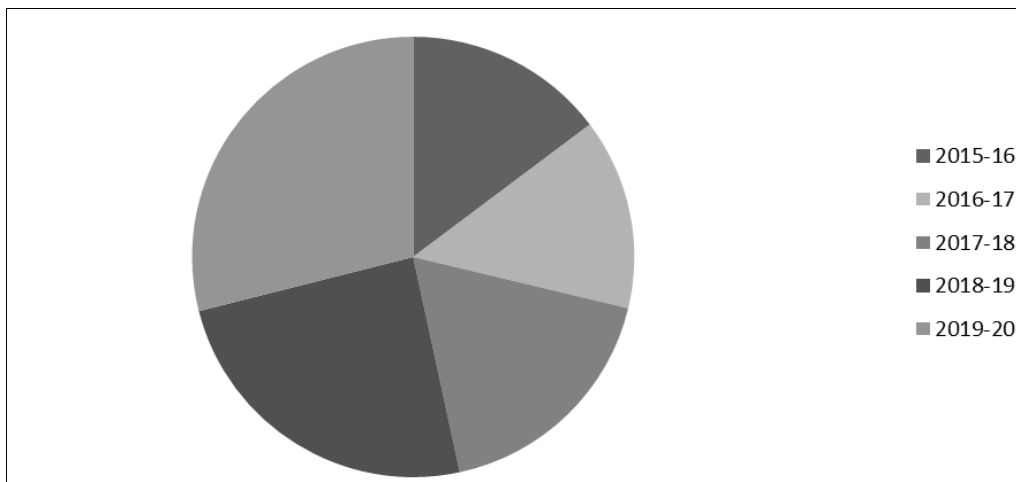
4. Analysis of Dividend to Shareholder: Table no. 4 show dividend to shareholder of the SIDBI during the period 2015-16 to 2019-20. It is evident from the table 4 there is dividend to shareholder SIDBI 112.5 Cr in 2015-16 and 165.12 Cr in 2018-19. There is average dividend to shareholder of during the study of SIDBI is 102.004 Cr. Total growth in dividend to shareholder of SIDBI was 52.62 Cr approx .There is no distribution of dividend to shareholder in 2019-20.

Table 4: Dividend to shareholder (Rs in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	Average
Dividend to shareholder	112.5	94.7	137.7	165.12	0	102.004

Source: Annual reports of SIDBI

Graph 4



Source: Annual reports of SIDBI

While studying the above table and graph we find that the dividend paid to shareholders are 112.5crore during 2015-16. During 2016-17 are 94.7crore, while these are Rs 137.7 crore during 2017-18. 112.5 crores during the year 2015-16 and finally in the last year of these becomes to Rs 0 crore. From the above discussion we find that the shows constant trends during the whole period of study but in 2019-20 it decreases as compare to prior years.

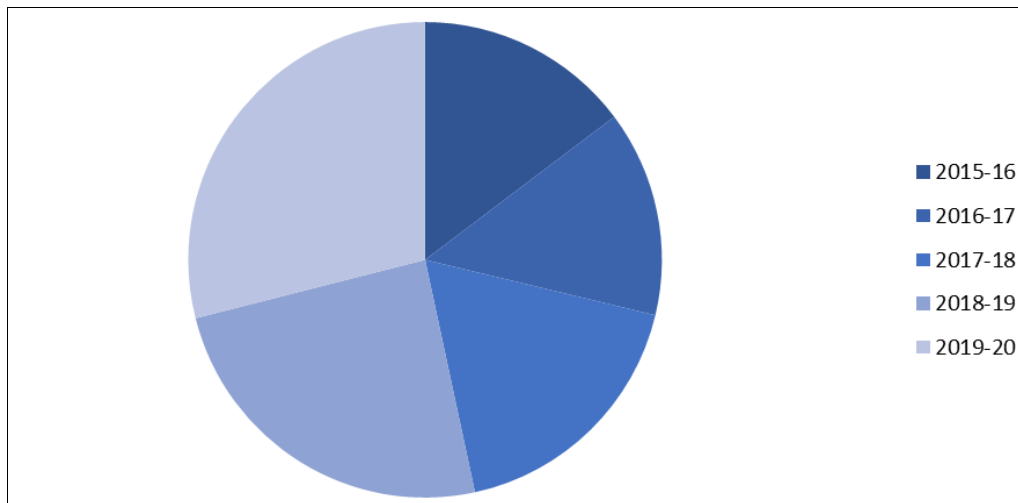
5. Analysis of Net profit: Net profit of the SIDBI is shown by the table no. 5 high net profit shows better financial position from 2015-16 to 2019-20. It is evident from the table 5 there is net profit SIDBI 1177.5 Cr in 2015-16 and 2314.52 Cr in 2019-20. There is average net profit of during the study of SIDBI is 1598.724 Cr. Total growth in net profit of SIDBI was 1137.02 Cr approx.

Table 5: Net profit (Rs in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	Average
Net profit	1177.5	1120.2	1429.2	1952.2	2314.52	1598.724

Source: Annual reports of SIDBI

Graph 5



Source: Annual reports of SIDBI

Compiled from annual reports

While studying the above table and graph we find that the net profit is Rs.1177.5 crore during 2015-16. During 2016-17 net profit are 1,120.2 crore, While these are Rs. 1,429.2 crore during 2017-18. 1177.5 crores during the year 2015-16 and finally in the last year of these become to Rs. 2314.52 crore. From the above discussion we find that the shows increasing trends during the whole period of study.

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 2015-16 to 2019-20. 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. . It is evident from the table1 there is total income of SIDBI 5559.5 Cr in 2015-16 and 11137.32 Cr in 2019-20. It is evident from the table 2 there is paid up capital of SIDBI 450.0 Cr in 2015-16 and 531.92 Cr in 2019-20. It is evident from the table 3 there is reserves and funds SIDBI 11108.3 Cr in 2015-16 and 18465.54 Cr in 2019-20. It is evident from the table 4 there is dividend to shareholder SIDBI 112.5 Cr in 2015-16 and 165.12 Cr in 2018-19. There is no distribution of dividend to shareholder in 2019-20. It is evident from the table 5 there is net profit SIDBI 1177.5 Cr in 2015-16 and 2314.52 Cr in 2019-20.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.

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