

An Analysis of Financial Performance of SIDBI

Naveed Sehar, Research Scholar, Faculty of Commerce, Banaras Hindu University

ABSTRACT

Small Industries Development Bank of India (SIDBI) has celebrated its 25th anniversary and during this period, it has come a very long route. SIDBI is an apex bank for the development of Micro, Small and Medium Enterprises (MSMEs). The MSME sector contributes a significant part in the economic development of the country. Thus, to contribute in the development of the MSME sector, it is important for the Bank to be financially strong. The Bank, being a financial institution, must have sufficient resources to meet the credit needs of the MSMEs. Since profitability is an index of the efficiency of a banking enterprise, a profit making bank can infuse confidence in the public at large which is necessary for its survival and growth. Thus, it is necessary that every institution must earn an adequate return on its capital to undertake social obligations. This paper deals with the financial analysis of SIDBI. An attempt has been made to analyze the financial performance of the Bank by using tools like percentage, ratio analysis. The financial performance of the Bank has been highlighted through reviewing the balance sheet, profit and loss account and thereafter financial analysis through financial ratios. The financial performance has been analyzed for the period of the last 10 years from 2006-07 to 2015-16. By reviewing the balance sheet and profit and loss account of Bank, it is found that the majority of the parameters taken shows an increasing trend during this period

Keywords: balance sheet, profit and loss account, financial ratios.

INTRODUCTION

MSME sector is a significant sector in the developing economy. It contributes major proportion in country's GDP, employment, export and production. This sector has continued to increase its contribution in India's economic development. It contributes almost 40% of the gross industrial value added, 45% of the total export and is the second largest employers of human resources after agriculture in India. Through 90 percent of industrial units in the country, the sector provides employment to about 60 million persons.

Realizing the importance of MSMEs in industrial development of the country, a network of institutions has been set up at the central as well as state level to cater to the needs of small scale industries. Finance is the key input for sustained growth of small scale sector and its accessibility continues to be a matter of concern. The financial need of small scale industries is diverse. Credit requirements of the small scale industries are basically of two types, viz. long term loans and working capital. They need credit to fund their working capital needs on a day-to-day basis as well as long term needs like emergencies or other income related activities. They need credit to smoothen out seasonal fluctuations in cash flow arising from agricultural activities and consumer demand. They also need fund for venture capital and risk capital. Credit is one of the critical inputs for the promotion and development of the MSMEs. To facilitate timely and adequate credit to MSME sector, the Government has taken several initiatives. To meet these credit needs they need access to financial institutions that can provide them with credit at lower rates and at reasonable terms than the traditional money lender. And the formation of SIDBI is an attempt towards it.

OBJECTIVE OF THE STUDY

To study the financial performance of SIDBI during the period.

RESEARCH METHODOLOGY

Data is collected from secondary sources viz. annual reports of SIDBI, RBI report on MSMEs, and from websites and books and research papers. Collected data is analyzed with the help of comparative statement, mean, percentages etc as per the requirement.

REVIEW OF LITERATURE

YEAR	PARTICULARS	SUMMARY
2017	S. Jency, Performance of Non-Banking Financial Institution	The paper analyzes the financial performance of All India Financial Institution, Non-Banking Financial Institutions for the year 2015 and 2016. It is found that out of four AIFI's under RBI, SIDBI's financial result is better than the other three institution.
2006	Tarak Shah and AnshuKhedkar, Case Study on SIDBI – A Successful Financial Institution in SME Financing	Highlights the role of SIDBI in financing MSME sector. Financial analysis of Bank for the years 2002 to 2004 is also done and it is found that net income, net worth , net profit shows increasing trend during this period. It can be said that the financial performance of SIDBI during this period is found satisfactory.

A PROFILE OF SIDBI

SIDBI has completed 25 years of dedicated services to MSME sector. It plays an important role in the development of the sector. With the passage of time, various changes has been made in its operation and working. There were two amendments made in the SIDBI Act which changed various provisions of the bank relating to capital structure, share holding pattern, management, business borrowing etc. Also consequent upon amendment in the SIDBI Act, the bank has been delinked from IDBI w.e.f. 27th March 2000.

SIDBI was aimed to help for the growth and development of MSMEs in India. It was established as the refinancing institution to banks and SFCs for lending to small scale industries. SIDBI has expanded its activities; it includes direct credit through various products and services, providing support to Micro Finance Institutions. It almost had a monopoly in refinancing the small scale units. SIDBI has also started tying up with other nationalized and commercial banks in this regard that can help it gain some more visibility and selling the products that need aggressive marketing.

It also acts as the agent of government schemes and services for MSMEs. It is also synonym to developmental banking as they have soft corner for the SME's and for this section of industry they have liberal policies, promote and develop small scale industries. Helping and guiding entrepreneur is also one of the functions and duties of SIDBI. By providing financial and developmental support, SIDBI endeavors to create a niche in providing solutions for MSME domain and complement the efforts of banks and FIs in addressing the gaps in financial and non-financial needs of the MSME sector. This re-oriented strategy of the Bank will facilitate the higher growth path for the MSME sector.

FINANCIAL PERFORMANCE OF SIDBI

As explained above, SIDBI is the apex bank for the development of MSMEs sector in India. It renders various services for the development of the sector. Thus it is important for the Bank to stay financially strong. The sound financial health of the Bank is the guarantee not only to its customers but also significant for the stockholders, employees and for an economy.

It is important for every organization to have sufficient fund/ resources in order to work efficiently. The success of any institution depends largely upon the total resources at its disposal. Government also provides subsidized financial assistance to the Bank so as help to develop priority sector industries. In case of SIDBI the main sources of funds are share capital, reserves and funds, borrowings, deposits, etc. The financial position of any financial institution can be ascertained by analyzing its financial

statements. Principal financial statements are balance sheet and profit and loss account. The important components of these financial statements include share capital, net worth, borrowings and deposits, loans and advances, total income, interest income, dividend income etc.

DATA ANALYSIS AND INTERPRETATION

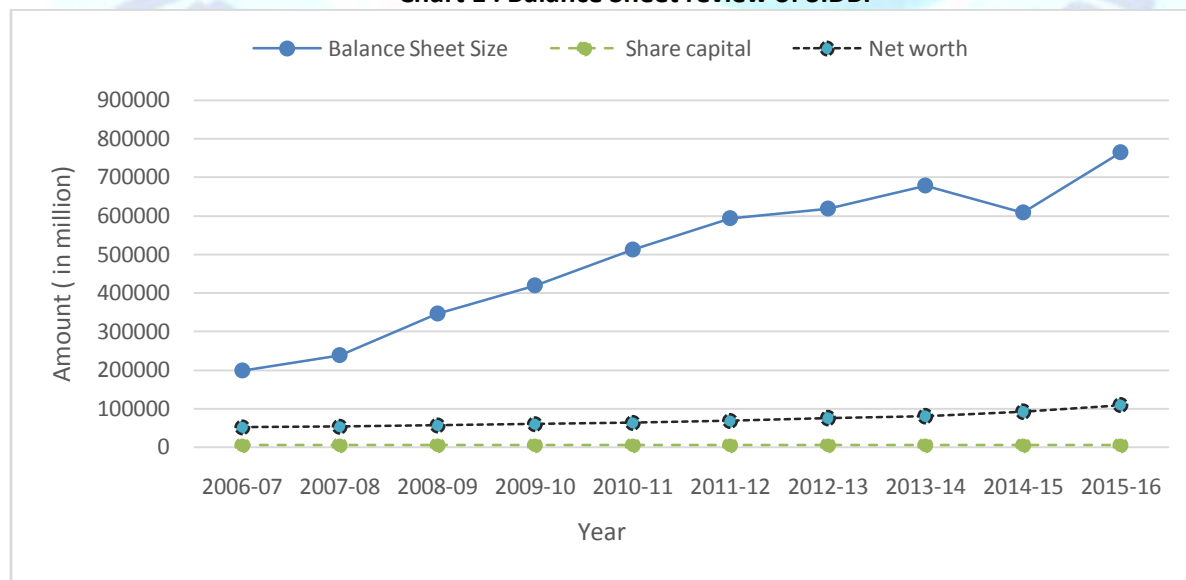
Financial highlights of SIDBI

**Table 1, Balance Sheet Review
 (Rs in Million)**

Year	Balance sheet size	Growth (%)	Share capital	Growth (%)	Net worth	Growth (%)
2006-07	198210	-	4500	-	51411	-
2007-08	238870	20.51	4500	0	52598	2.31
2008-09	346050	44.87	4500	0	55994	6.46
2009-10	418850	21.04	4500	0	59072	5.50
2010-11	512170	22.28	4500	0	63063	6.76
2011-12	593850	15.95	4500	0	67779	7.48
2012-13	618480	4.15	4500	0	75033	10.70
2013-14	678104	9.64	4500	0	79910	6.50
2014-15	608551	-10.26	4500	0	91260	14.20
2015-16	764784	25.67	4860	8	108360	18.74
Mean	497792	-	4536	-	70448	-
CAGR	16.19		0.85		8.64	

Source: Annual Reports of SIDBI

Chart 1 : Balance Sheet review of SIDBI



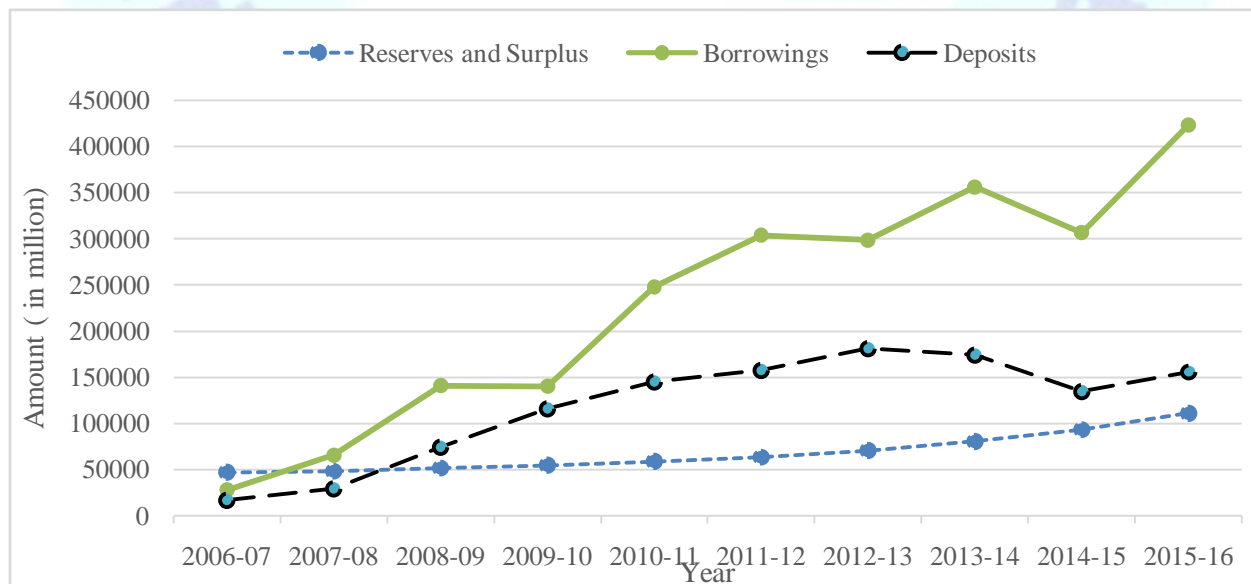
Interpretation : Table 1 shows the balance sheet review of Bank over the last 10 years. It is observed from the table and chart balance sheet size shows increasing trend except for the year 2014-15 in which it witnessed negative growth of 10%. CAGR for balance sheet size during the period is 16.19 %.

Paid up capital of SIDBI was fixed at Rs 4,500 million during the period from 2006-07 to 2014-15 and it increased to Rs 4,860 million in 2015-16. The net worth of SIDBI during the period of the study shows increasing trend with average increase of Rs 70448 million and CAGR of 8.64 %.

Table 2 : Financial Resources of SIDBI
(Rs in Million)

Year	Reserves and Surplus	Growth	Borrowings	Growth	Deposits	Growth
2006-07	46911	-	27749	-	16904	-
2007-08	48098	2.53	65534	136.17	29249	73.03
2008-09	51494	7.06	141049	115.23	74370	154.26
2009-10	54572	5.98	140190	-0.61	115869	55.80
2010-11	58684	7.53	247888	76.82	144804	24.97
2011-12	63279	7.83	303875	22.59	157406	8.70
2012-13	70533	11.46	298491	-1.77	181048	15.02
2013-14	80423	14.02	356180	19.33	174282	-3.74
2014-15	93296	16.01	306728	-13.88	134468	-22.84
2015-16	111081	19.06	423566	38.09	155751	15.83
Mean	67837.1	-	231125	-	118415	-
CAGR	10.05		35.37		27.98	

Source: Annual Reports of SIDBI



Interpretation:Table 2 shows the financial resources of SIDBI during the period of the study. From the table it is found that the reserves and surplus of the Bank is in increasing trend. Total reserves and surplus of SIDBI during the period was increased from Rs 46911 million in the year 2006-07 to Rs 111080 million in the year 2015-16 with the CAGR of 10.05 %.

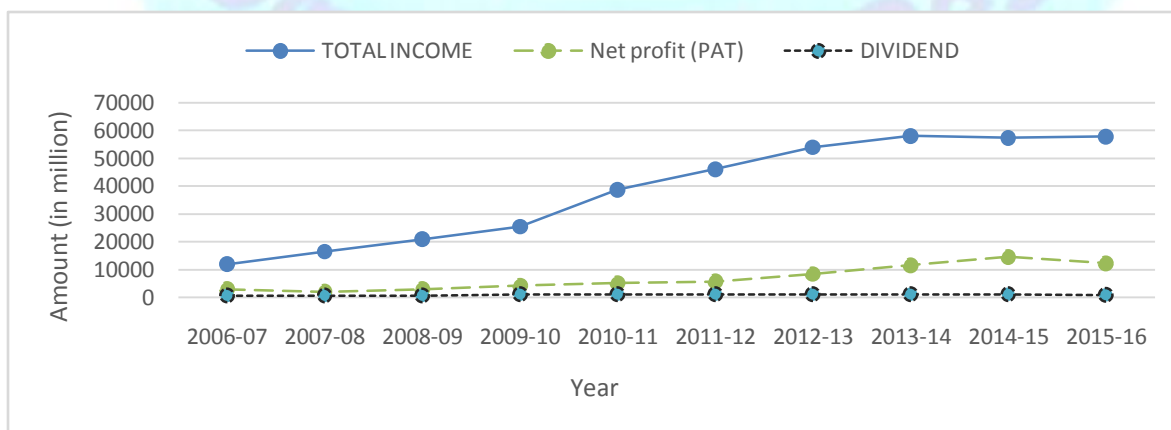
Borrowing of Bank shows increasing trend throughout the period. As per the table, total borrowings of the bank increased from Rs 27749 million in 2006-07 to Rs 423566 million in 2015-16 with the CAGR of 35.37 %. Similarly deposits also shows increasing trend, it increased with average Rs 118415 million with CAGR of 27.98 %.

**Table 3 : Profitability position of SIDBI
(Rs in million)**

YEAR	TOTAL INCOME	Growth rate	Net profit (PAT)	Growth rate	DIVIDEND	Growth rate
2006-07	11872	-	2982	-	675	-
2007-08	16381	37.98	1984	-33.47	675	0
2008-09	20823	27.12	2992	50.81	675	0
2009-10	25398	21.97	4213	40.81	1125	66.67
2010-11	38668	52.25	5138	21.96	1125	0
2011-12	46066	19.13	5669	10.33	1125	0
2012-13	54012	17.25	8374	47.72	1125	0
2013-14	58084	7.54	11513	37.49	1125	0
2014-15	57414	-1.15	14530	26.21	1125	0
2015-16	57846	0.75	12172	-16.23	947	-15.82
MEAN	38656.4	-	6956.7	-	891	-
CAGR	19.24		16.92		3.83	

Source: Annual Reports of SIDBI

Chart 3 : Profitability position of SIDBI



Interpretation: Table 3 depicts the profitability position of Bank during the period of the study. Total income of Bank during the period increased from Rs 11872 million to Rs 57846 million with CAGR of 19.24 % . Total income of Bank shows increasing trend throughout the period. Similarly, net income of Bank also increased with average increase of Rs 6956 million and CAGR of 16.92 % . Dividend declare by SIDBI was increased from Rs 675 million in 2006-07 to Rs 1125 million in 2014-15. In the FY 2015-16, it decreased to Rs 947 million.

Table 4 : Financial Ratios of SIDBI

Year	Capital adequacy ratio	NPA ratio	Return on average assets ratio
2006-07	37.5	0.14	2.12
2007-08	41.7	0.25	1.41
2008-09	34.2	0.08	2.40
2009-10	30.1	0.18	2.07
2010-11	30.6	0.28	1.80
2011-12	28.9	0.34	2.02
2012-13	28.1	0.53	1.98
2013-14	30.8	0.45	2.41
2014-15	36.7	0.78	3.34
2015-16	29.9	0.73	2.46

Source: Annual Reports of SIDBI

Interpretation: Above table shows the trend of financial ratios of SIDBI during the last 10 years. It can be observed that the CAR of SIDBI is at fairly comfortable level against prescribed by RBI which is 9%. It stood higher at 41.70% in the year 2007-08 which depicts that SIDBI had idle funds in that period. Net NPA of SIDBI was increased from 0.14 % to 0.78% during the period of the study. ROA of SIDBI was increased from 2.14 to 2.45 during the period of the study. Thus it can be concluded that SIDBI financial performance is highly satisfactory.

CONCLUSION

In the present research paper, an attempt is made to evaluate the financial position of SIDBI from 2006-07 to 2015-16. In this paper various parameters are used to evaluate the financial position of SIDBI, and it is found that all the parameters which are used to evaluate the financial position are increasing. They all shows increasing trend over the period of the study. Hence it can be concluded that the financial position of SIDBI is sound.

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