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Challenges Faced by Manufacturing Industries in Delhi NCR and How SIDBI is Helping the Industries

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ABSTRACT: The Micro, Small and Medium Enterprises (MSMEs) sector is a critical component of the Indian economy. In order to support the financing, promotion, and development needs of this sector, the Government of India established the Small Industries Development Bank of India (SIDBI) on April 2, 1990. SIDBI serves as a facilitator, catalyst, and nodal agency for the development of MSMEs. This study is based on secondary data primarily obtained from SIDBI Annual Reports. The analysis reveals that most performance parameters and ratios exhibit an increasing trend and positive growth rate, indicating the effectiveness of SIDBI's performance. As a result, the bank is expected to achieve new heights in the MSME sector in the coming years. Keywords: Bank, Economy, Financial Institution, GDP, MSMEs, SIDBI.

I. INTRODUCTION

India is rapidly emerging as one of the world's fastest-growing economies. With a nominal Gross Domestic Product (GDP) of \$3.68 trillion, it is currently the fifth-largest economy in the world and the third-largest by purchasing power parity (PPP) at \$11.87 trillion (IBEF, Nov. 2021). While its per capita income basis is ranked 138th (nominal GDP) and 118th (PPP GDP) (IMF Report), it is expected to become one of the top three economic powers globally in the next 10-15 years (Business Standard, Nov 2021). The Indian economy is projected to grow by 10% or more in the current fiscal year (2021-22) and 8% or more in the upcoming years (post-COVID-19 pandemic) (NITI Aayog, 2021). The International Monetary Fund (IMF) has forecasted a growth of 9.5% and 8.5% in 2021-22 and 2022-23, respectively. The Reserve Bank of India (RBI) has also projected a growth of 9.5% in the current financial year (Business Standard, Nov 2021).

One of the essential pillars of the Indian economy is the Micro, Small, and Medium Enterprises (MSMEs) sector, which manufactures over 6,000 products and contributes to the growth of the economy with an extensive network of approximately 6.3 crore units, employing approximately 11.7 crore people. It contributes to approximately 30.3% of the GDP, 45% of manufacturing output, and 49.81% of overall exports (in value). The development of the MSMEs sector plays a pivotal role in achieving the vision of a \$5 trillion economy. While the COVID-19 pandemic has affected the operations of MSMEs, it is expected that the Government policies and initiatives will aid in the recovery process. The Self-reliant India and Vocal for Local campaigns provide necessary impetus to the MSMEs sector.

Efficient mobilization of resources by financial institutions/development banks is crucial for the development of MSMEs. The All India Financial Institutions (AIFIs), including development banks, play a crucial role in strengthening the flow of credit (direct or indirect) to the MSMEs sector. Given the catalytic role played by the MSMEs sector in economic development, the establishment of a separate institution to address the explicit requirements of MSMEs was essential. To meet the financing, promotion, and development requirements of the MSMEs sector, the Government of India set up the Small Industries Development Bank of India (SIDBI), an apex financial institution for the growth and development of the MSMEs sector. The analysis of SIDBI's performance parameters and ratios reveals a positive growth rate, indicating the efficiency of the bank's performance. SIDBI is expected to achieve new heights in the MSMEs sector in the coming years.

II. OBJECTIVES OF THE STUDY

The Basic objective of this paper is to study the performance of small Industries Development Bank of India (sidbi)

COMPANY OVERVIEW OF SIDBI

The Small Industries Development Bank of India (SIDBI) was established as a wholly-owned subsidiary of the Industrial Development Bank of India (IDBI) under the Small Industries Development Bank of India Act, 1989, and



became operational on April 2, 1990. Its headquarters is located in Lucknow, Uttar Pradesh. In March 27, 2000, SIDBI was delinked from IDBI, and the Government of India and 22 other institutions/banks hold the shares of the bank. SIDBI is an apex financial institution engaged in financing, promoting, and developing the MSMEs sector while coordinating with other institutions/banks that perform similar functions. The bank's mission is to facilitate and strengthen credit flow to MSMEs and address both financial and developmental gaps in the MSMEs ecosystem. As a nodal and trusted agency, SIDBI implements the initiatives of the Government of India and RBI to promote inclusive growth.

In line with the objective of inclusive growth, SIDBI has articulated Vision 2.0, which envisions the transformation of the bank into an All India Financial Institution (AIFI) to cater to the credit and non-credit requirements of the MSMEs sector and make them competitive at the global level. In Vision 2.0, the bank will perform the role of a facilitator, thought leader, and aggregator for the development of MSMEs.

REVIEW OF LITERATURE

The study by S Sharma and K Dhaliwal (2011) focused on the financing schemes and initiatives taken by SIDBI to promote the growth of MSMEs in India. As the apex financial institution for MSME development, the role of SIDBI is crucial. The study shows that the financing to MSMEs has increased over the years, indicating a positive performance of SIDBI. Samal C & Sahu K (2014) analyzed the role of SIDBI in developing the MSME sector in India. The study revealed that stringent banking norms, lack of collaterals, and compliance with documentation prevented more than 87% of MSMEs from accessing credit facilities from banks or financial institutions. However, the outstanding credit of the bank to MSMEs increased from Rs.58,751 crore in 2012-13 to Rs.64,313 crore in 2013-14, and financing of MSMEs by SIDBI continued to increase over the studied period.

Eswaran N and Meenakshi M (2017) found that some performance parameters of SIDBI such as net profit, long-term funds, non-interest income, and total income had higher growth rates, while parameters related to non-interest expenses, interest spread, credit deposits, and total expenses were unfavorable. Masih E and Tirkey M (2017) exemplified that the government had set up SIDBI for the promotion of SSIs, and the bank needs to participate in a competitive environment and take proactive measures to tackle impending market and competitive forces.

Lone S A (2018) stated in his paper that SIDBI played an important role in the development of MSMEs. The study showed that the performance parameters, such as total income and portfolio size, had a significant impact on net worth and profit, respectively. The analysis revealed that a 1% change in total income would lead to a 4.09% change in profit, while a percentage change in portfolio size would lead to a 0.127% change in net worth. Francis S J (2019) analyzed the financial performance of SIDBI from 2007-08 to 2017-18. The study revealed that the majority of performance indicators showed an increasing trend during the studied period.

Finally, Gorkhe M (2021) examined the performance of SIDBI and found that it has been continuously improving over the years. The various schemes of SIDBI are aligned with the objective of empowering MSMEs.

The current research is both descriptive and analytical, and relies on secondary data collected from various sources such as annual reports, financial statements of SIDBI, publications, reports, research papers, and news articles. The data used in this study covers the period between 2015-16 to 2020-21. Data has been analyzed using tables, graphs, and statistical tools such as mean, standard deviation, growth rate, compounded annual growth rate (CAGR), and ratio analysis.

DATA ANALYSIS AND INTERPRETATION

The Small Industries Development Bank of India (SIDBI) was established by the Indian government to support the growth and development of the MSMEs sector. Over the years, the bank has implemented several initiatives to strengthen credit flow to this sector, resulting in significant changes in its policies and products. This study analyzes the performance of SIDBI from 2015-16 to 2020-21, using secondary data from various sources such as annual reports, financial statements, websites, publications, reports, and research papers.

Table 1 provides an overview of the bank's performance during the study period, highlighting various performance parameters. The size of total assets increased from Rs. 76,478.47 crore in 2015-16 to Rs. 1,92,322.45 crore in 2020-21, with a Compound Annual Growth Rate (CAGR) of 16.61%. The outstanding portfolio, which includes loans and advances, increased from Rs. 65,632 crore in 2015-16 (with indirect credit accounting for Rs. 54,235 crore and direct

credit accounting for Rs. 11,397 crore) to Rs. 1,56,233 crore in 2020-21 (with indirect credit rising to Rs. 1,44,629 crore and direct credit rising to Rs. 11,604 crore). The CAGR of the outstanding portfolio was 15.55%. The data shows an increasing trend in the outstanding portfolio until 2019-20, after which it declined by 5.55% in 2020-21.

The authorized capital remained constant at Rs. 1000 crore during the study period, while the paid-up capital increased from Rs. 487.00 crore in 2015-16 to Rs. 531.92 crore in 2016-17 and remained the same for the remaining period of the study. The reserves and funds also exhibited an increasing trend, growing from Rs. 11,108.30 crore in 2015-16 to Rs. 20,756.29 crore in 2020-21, with a CAGR of 10.98% and a mean value of Rs. 15,652.13 crore per year.

The total income of SIDBI displayed a positive improvement over the years, rising from Rs. 5,559.50 crore in 2015-16 to Rs. 12,090.30 crore in 2019-20, but decreasing by 7.65% to Rs. 11,165.63 crore in 2020-21. The CAGR of total income was 12.32%. However, compared to total income, the net profit demonstrated an increasing trend, growing from Rs. 1,177.50 crore in 2015-16 to Rs. 2,398.27 crore in 2020-21, with an average per annum profit of Rs. 1,731.98 crore and a CAGR of 12.59%. The average dividend paid by SIDBI to its shareholders was Rs. 99.64 crore. The amount of dividend paid to shareholders increased from Rs. 94.70 crore in 2015-16 to Rs. 165.12 crore in 2018-19. In 2019-20, SIDBI did not pay any dividend to shareholders, but in 2020-21, it paid a dividend of Rs. 106

Table NO.1

Table 1: Progress of SIDBI at a Glance

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Mean	CAGR (%)
Total Asset	76,478.47	79,692.51	1,09,809.43	1,03,660.63	1,67,338.98	1,92,322.45	1,13,435.75	16.01
Outstanding Portfolio (Loan & Advance) (A+B)	65.637	68,700	95,701	1,36,750	1,65,437	1,46,713	1,18,516.19	15.55
A. Indirect Credit	58,233	57879	85614	1,26,819	1,55,429	1,44,629	1,08,067.33	17.76
1. Reference to Banks, SFB, FIs	46,144	48,003	72822	1,16,277	1,43,233	1,31,664	93,840.30	18.82
2. Assistance to MFIs	7,813	7308	1580	1,173	1,871	1,675	1,761.00	-3.05
3. Assistance to NBFCs	5,678	6867	11412	9,370	10,375	11,293	9,165.63	12.14
B. Direct Credit	11,397	10612	9677	9,411	9,993	11,084	10,449.00	0.30
1. Loans and Advances	9,884	9241	8772	8,897	9,407	11,011	8,787.00	2.48
2. Receivable Finance Scheme & Bill Discounted	1,513	1871	905	814	126	23	191.50	-50.23
Capital - Authorized	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	0.00
Paid-up	487.00	531.92	531.92	531.92	531.92	531.92	524.43	1.48
Reserves and Funds	11,108.30	13,069.50	14,339.90	16,113.16	18,465.34	20,756.29	15,652.13	10.98
Total Income (Net of Provisions)	5,559.50	6,766.50	6,516.13	9,919.18	12,090.30	11,165.63	8,502.87	12.32
Net Profit	1,177.50	1,120.20	1,419.20	1,912.21	2,314.52	2,198.27	1,731.98	12.59
Dividend to Shareholders	94.70	93.90	117.70	165.12	0.00	106.19	99.64	1.06
Net Interest Income	1986	2824	2097	2570	3299	3678	2,619.30	10.82
Net Profit per Employee	1.11	0.96	1.26	1.76	2.21	2.17	1.61	13.48
Earnings Per Share (EPS) (in Rupees)	24.90	21.54	26.96	36.78	43.30	45.09	31.30	10.40

Source: Compiled from the Various Annual Reports of SIDBI

During the study period from 2015-16 to 2020-21, the net interest income of SIDBI has shown a consistent upward trend, increasing from Rs. 1986 crore to Rs. 3678 crore with a Compound Annual Growth Rate (CAGR) of 10.82%. Additionally, the net profit per employee has also grown significantly, from Rs. 1.11 crore to Rs. 2.37 crore with a CAGR of 13.48%, indicating efficient performance by SIDBI. The Earnings Per Share (EPS) has similarly increased from Rs. 24.90 to Rs. 45.09 with a CAGR of 10.40%, which is indicative of better performance. Although the COVID-19 pandemic has had some impact, most of the performance parameters of SIDBI's operations have displayed positive and increasing trends during the study period, and have remained positive CARs. Thus, it can be concluded that the performance of SIDBI has registered a positive and significant improvement over the years.

Table no. 2

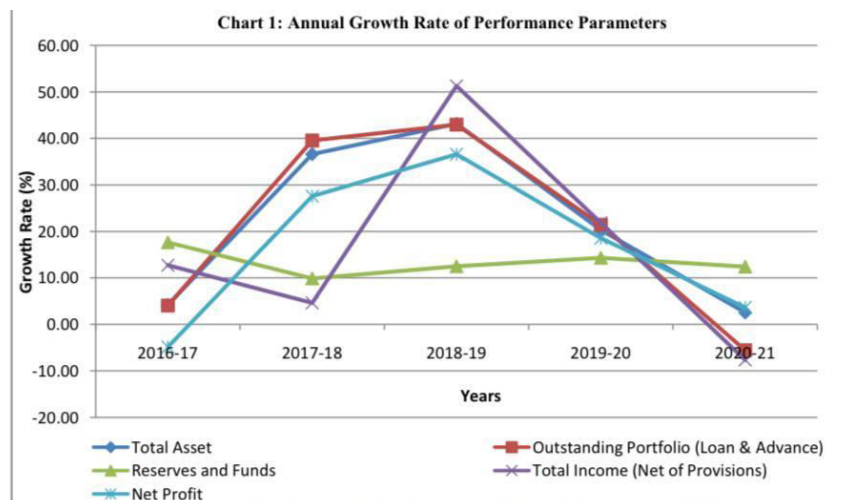




Table 2 This study provides an overview of various performance ratios of SIDBI during the period of 2015-16 to 2020-21. The Capital Adequacy Ratio reflects the bank's ability to meet its obligations, and it ranged from 26.62% to 29.86% during the study period. The Net Profit Margin ratio showed a slight increase from 20.78% in 2019-20 to 21.48% in 2020-21, with a mean value of 20.47% and a CAGR of 0.23%. The Net Interest Margin ratio decreased from 2.94% in 2015-16 to 1.89% in 2018-19, but increased by 10 bps to 2.04% in 2020-21. The Cost to Income Ratio decreased significantly from 25.4% in 2015-16 to 12% in 2020-21, indicating an improvement in the bank's performance.

The bank's profitability can be measured by Return on Assets (ROA), Return on Equity (ROE), and Return on Capital Employed (ROCE) ratios. The study shows that ROE and ROCE had a CAGR of 2.93% and 3.46% respectively, with an increase from 10.16% to 12.08% for ROE and from 9.45% to 11.59% for ROCE during the study period. However, the ROA showed a slight decline, from 1.77% in 2015-16 to 1.33% in 2020-21. Overall, the data indicates that most of the performance ratios of SIDBI showed positive trends during the study period, although there was a slight impact from the COVID-19 pandemic.

III. CONCLUSION

The Small Industries Development Bank of India (SIDBI) was established by the Indian government in 1990 to facilitate and catalyze the growth and development of micro, small, and medium-sized enterprises (MSMEs), which are a key pillar of the Indian economy. SIDBI acts as an apex financial institution and a nodal agency for government schemes related to MSMEs. Various performance parameters of the bank have shown an increasing trend during the study period, including the size of total assets, outstanding portfolio, reserves and funds, net profit, net interest income, net profit per employee, and earnings per share. Ratios such as the cost-to-income ratio, net non-performing asset ratio, gross non-performing asset ratio, return on equity, and provisioning coverage ratio also support the bank's efficient performance. The Indian economy is the third-largest economy in the world by purchasing power parity (PPP), and the growth rate is projected to be 10% or more in fiscal year 2021-22, with the MSME sector playing a crucial role in achieving the target of growing the economy to \$5 trillion.

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