

Analysis of Financial Position of Small Industries Development Bank of India

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Abstract: *The Small Industries Development Bank of India is the principal financial institution for the promotion financing and development of the Micro, Small and Medium Enterprises sector and for coordination of the functions of the institutions engaged in similar activities. Small Industries Development Bank of India is continuously trying to promote the MSME sector by way of its direct and indirect credit schemes. This study reveals that portfolio size and income size has a significant impact on the net worth and profit of Small Industries Development Bank of India respectively. One percent change in portfolio size of SIDBI will lead to .127 % change in Net worth. Moreover, 1% change in Income of SIDBI will lead to 4.09% change in Profit size.*

Keywords: SIDBI, Balance Sheet, Financial Position, Development

1. SIDBI: An Overview

A financial statement is a collection of data organized according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment in time, as in the case of a balance sheet, or may reveal a series of activities over a given period of time. Thus, the term financial statement generally refers to the two statements: (i) the position statement or Balance sheet; and (ii) the Income Statement or the Profit and Loss account. The said statements are used to convey to management and other interested outsiders the profitability and financial position of a firm.

In order to enhance the Small scale sector in the Indian economy, there is a need to establish a separate institution which will exclusively realize the demands of small scale enterprises all over the country. In view of that, the government of India instituted Small Industries Development Bank of India (SIDBI) under section 3(1) of Small Industries Development Bank of India Act, 1989 as a wholly owned subsidiary of Industrial Development Bank of India (IDBI). After the establishment of SIDBI, all duties related to small scale industries which were earlier performed by IDBI have been shifted to SIDBI. The same bank commenced its operations from April 2, 1990 with its headquarter at Lucknow. SIDBI is an independent financial institution aimed to aid the growth and development of Micro, Small and Medium enterprises. At present the ownership is held by 34 government of India owned/controlled institutions (<http://www.idfc.org/members/sidbi.aspx>). The Small Industries Development bank of India has 5 Regional Offices, 5 zones and 21 Branch Offices when it was started in different parts of India but nowadays it encompasses of 600 clusters through a network of 80 branches and 15 Regional Offices with a total of around 1050 employees (<http://www.idfc.org/members/sidbi.aspx>).

In 2000, the Small industries Development Bank of India as subsidiary was taken apart from Industrial Development Bank of India. In pursuance of the amendments approved by

the parliament, 51% shares of the SIDBI taken by Industrial Development Bank of India have been transferred to public sector banks, Life Insurance Corporation, General Insurance Corporation and other institutions owned and controlled by the Central Government. The shares of SIDBI are held by 33 institutions comprising insurance companies owned or controlled by Central Government, various Public Sector Banks, Industrial Development Bank of India Ltd., State Bank of India and Life Insurance Corporation of India being its three largest shareholders (Annual report of Small Industries Development Bank of India, 1990-91 to 2012-13).

The Small Industries Development Bank of India is an apex financial institution for the promotion, financing and development of Micro, Small and Medium Enterprises (MSMEs) in the country (Pathak, 2009).

Objectives of SIDBI

The main purpose of the Government in the setting up of SIDBI was to ensure larger flow of assistance to the small scale units. In order to achieve this objective, the immediate thrust of the SIDBI was on the following measures:

- Taking steps for technological upgradation and modernization of existing units;
- Intensifying the channels for marketing the products of the small scale sector; and
- Encouragement and promotion of employment-oriented industries, especially in semi-urban areas to create more employment opportunities and thereby checking migration of population to urban areas.

Besides, the objectives of the study as envisaged in the Charter are:

- 1) Financing
- 2) Promotion
- 3) Development
- 4) Coordination for orderly growth of the Small Scale Industrial sector (Annual Report of Small Industries Development Bank of India, 2011-12).

Small Industries Development Bank of India being the subsidiary of Industrial Development Bank of India has also transformed itself into a universal bank. Establishment of

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SIDBI was actually one of the incredible steps taken by the Government of India. The basic idea underlying the formation of the Small Industries Development Bank of India was to foster the growth of MSME sector which occupies a vital position in Indian economy (www.sidbi.co.in). Prior to 2006 the small-Scale sector was known as the Small Scale Industries (SSI) sector but, after the enactment of Micro, Small and Medium Enterprises Act, 2006 the new acronym came into existence i.e. the MSME.

2. Review of Literature

Small Industries Development Bank of India has the main role in the development of Small Scale Industries through commencing various training centres for entrepreneurs, providing financial amenities and more than ever SIDBI's assistance to Jammu and Kashmir State Finance Corporation that provides financial facilities to the entrepreneurs of small-scale industries of Jammu & Kashmir (Showkat Ahmad; et.al, 2016). The Small Industries Development bank of India plays a tremendous role in uplifting the micro, small and medium enterprises via microfinance. About 93.09 lakh and 408.84 lakh people are employed in the registered and unregistered MEME sectors respectively (Showkat Ahmad; Ishfaq Bashir, 2017). The Small Industries Development Bank of India amplifies the Indian economy by providing the financial assistance to various micro, small and medium enterprises. About 68% of the MSME units availed financial assistance from SIDBI whereas 32% units do not avail assistance from SIDBI (Showkat Ahmad; Mohd Rafiq, 2018)

3. Research Methodology

Data Collection: The current study is purely based upon the secondary data like books, journals, articles, reports and the like.

Objectives of study

- To analyze the impact of portfolio size on net worth of SIDBI
- To evaluate the impact of Income size on profit of SIDBI.

Hypothesis of the study

H₀₁: The portfolio size has no significant impact on net worth of SIDBI.

H₀₂: The Income size of SIDBI has no significant impact on profit of SIDBI.

Tools and Techniques: Regression analysis was used for determining the impact of one variable over another variable. In addition to this, percentage growth was also found during the referenced years. The whole analysis of data was done in Statistical Package for Social Science (SPSS), and the hypotheses were tested at 5% level of significance.

4. Discussion and Results

Portfolio Size and Net Worth Size of SIDBI

Net worth of a company is nothing but the excess of total assets over total liabilities. More the net worth the more efficient it is. Portfolio is the opportunities in which the company has made investment or are available in which the company can made investment.

H₀₁: The portfolio size has no significant impact on net worth of SIDBI.

Portfolio & Net Worth of SIDBI

(In crores)

Financial Year	Portfolio size	Percentage growth	Net Worth	Percentage Growth
2006-07	16031	---	4436	---
2007-08	20226	26.16	4713	6.24
2008-09	30886	52.70	5342	13.34
2009-10	37969	22.93	5612	5.05
2010-11	46050	21.29	5979	6.33
2011-12	53785	16.78	6399	7.02
2012-13	56060	4.22	7046	10.11
2013-14	61271	9.29	7991	13.41
2014-15	55343	(9.67)	9126	14.20
2015-16	65632	18.59	10836	18.73
2016-17	68290	4.04	12905	19.09

Source: Compiled from Annual Reports of SIDBI

Note: figures in parenthesis indicate negative figures

Model Summary ^b									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.848 ^a	.719	.688	1498.17435	.719	23.047	1	9	.001
a. Predictors: (Constant), PORTFOLIO									
b. Dependent Variable: NETWORTH									

ANOVA ^a						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	51729214.699	1	51729214.699	23.047	.001 ^b
	Residual	20200737.483	9	2244526.387		
	Total	71929952.182	10			
a. Dependent Variable: NETWORTH						
b. Predictors: (Constant), PORTFOLIO						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1410.849	1308.760		1.078	.309
	PORTFOLIOsize	.127	.026	.848	4.801	.001
a. Dependent Variable: NETWORTH						

$$Y = a + b * X$$

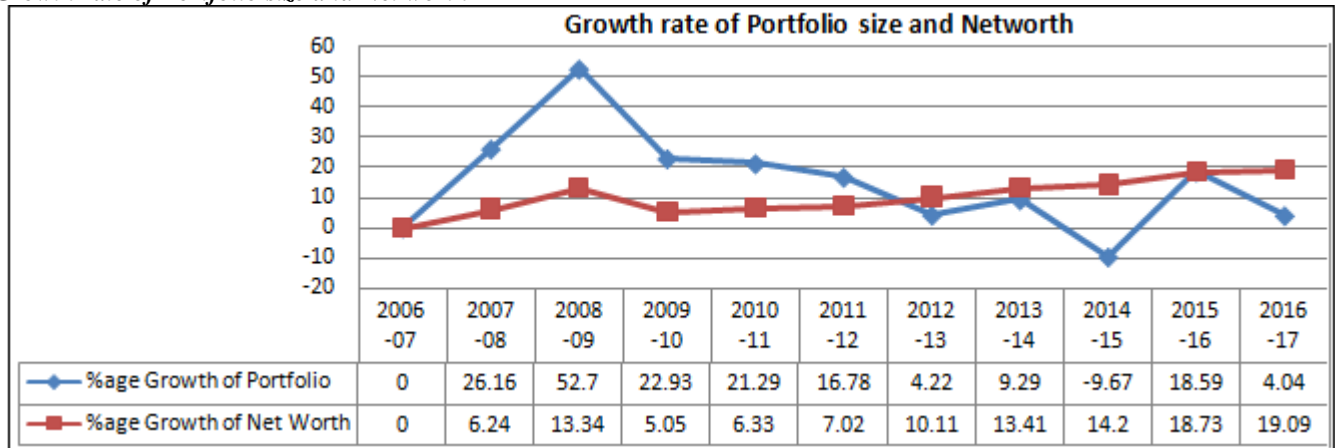
Where, Y= Dependent Variable (Net Worth)

X= Independent Variable (Portfolio Size)

$$\text{Net worth} = 1410.849 + .127 * \text{Portfolio size}$$

Portfolio size and Net worth of SIDBI

Growth rate of Portfolio size and Net worth



Interpretation: The portfolio size of SIDBI exhibits a fluctuating trend from the financial year 2006-07 to 2016-17. The highest percentage growth of portfolio size has been observed during the financial year 2008-09. One interesting thing about the portfolio of Bank is that it increased by Rs 52,259 crore (i.e. 325.98% growth rate) during the referenced period.

Net worth is the difference between the total assets and total liabilities. More the net worth of a company more efficient it is. The net worth of the Small Industries Development Bank of India has shown a continuous increasing trend from 2009-10 to 2016-17. The net worth of Bank during 2006-07 was Rs 4436 crore and the same has reached to Rs 12902 crore during 2016-17, which indicates tremendous growth (i.e. 191% approximately) in net worth during the referenced period. The line graph above depicts the percentage growth of portfolio and net worth of SIDBI. There was a high portfolio percentage growth during the financial year 2008-09. Similarly, the highest growth rate percentage of net worth of the Bank was observed in the financial year 2016-17.

The Mean, Standard Deviation and regression R value of portfolio and net worth of small Industries Development bank of India was calculated through Statistical package for Social Science (SPSS). In addition to it the summary model

shows a high degree of positive correlation that is 0.848 between the portfolio size and net worth of SIDBI.

The study was done at 5% Level of Significance which is 0.05 and P value as depicted by ANOVA table is 0.001 which is less than the 0.05. Hence we can conclude that portfolio size has an impact on Net Worth. Moreover, the Coefficient table reveals that 1% change in independent variable that is Portfolio size will lead to .127% change in dependent variable (Net worth).

Income & Profit size of SIDBI
(In crores)

Year	Profit	Percentage growth	Income	Percentage Growth
2007	298	0	1187	0
2008	198	(33.55)	1638	38
2009	299	51.01	2082	27.10
2010	421	40.80	2540	22
2011	514	22.09	3867	52.25
2012	567	10.31	4607	19.31
2013	837	47.61	5401	17.23
2014	1118	33.57	5808	7.53
2015	1417	26.74	5741	1.15
2016	1177	(16.93)	5784	0.75
2017	1120	(4.84)	6267	8.35

Source: Compiled from Annual Reports of SIDBI
Note: figures in parenthesis indicate negative figures

Model Summary ^b									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.916 ^a	.839	.821	804.31265	.839	46.951	1	9	.000

b. Dependent Variable: INCOME
a. Predictors: (Constant), PROFIT

ANOVA ^a						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	30373616.150	1	30373616.150	46.951	.000 ^b
	Residual	5822269.487	9	646918.832		
	Total	36195885.636	10			

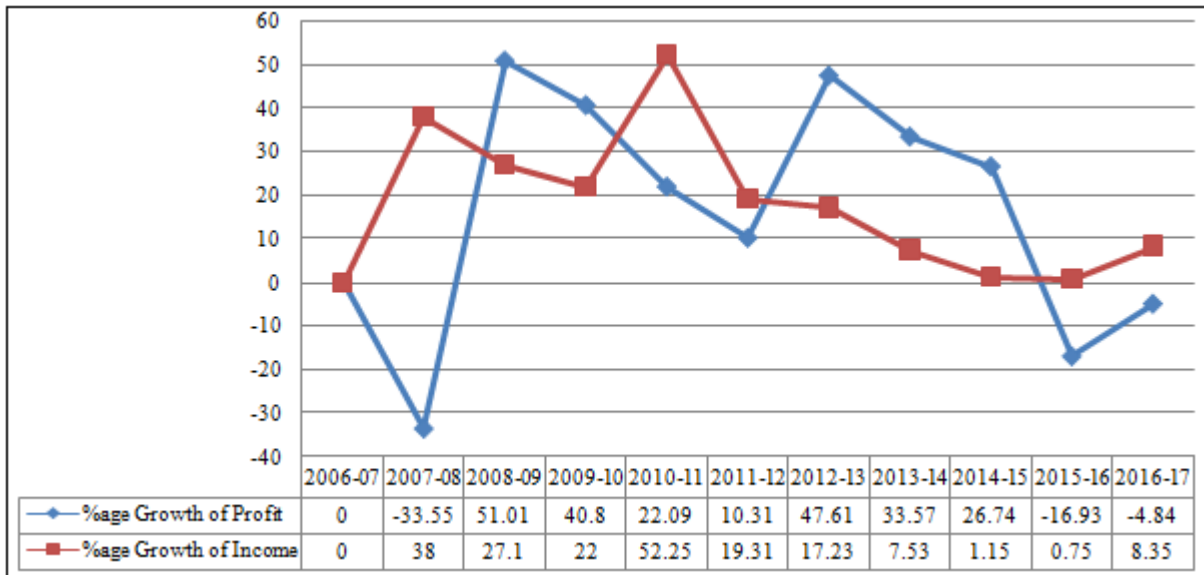
a. Dependent Variable: INCOME
b. Predictors: (Constant), PROFIT

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1116.918	496.279		2.251	.051
	PROFIT	4.097	.598	.916	6.852	.000

a. Dependent Variable: INCOME

Y = a + b*X
Where, Y = Dependent Variable (Income)
X = Independent Variable (Profit)
Income = 1116.918 + 4.097*Profit

Growth rate of Income and Profit



Interpretation: The above table depicts the income and profit size of Small Industries Development Bank of India. During the financial year 2014-15 the profit size of the Bank is at its peak i.e. Rs. 1417 crore. Since the inception of Small Industries Development Bank of India it has not earned as income as it earned in 2016-17. The profit figures of the Bank have shown the declining trend in the last two financial years viz. 2015-16 & 2016-17. The growth rate of income and profit from 2009-10 to 2016-17 was 146.73% and 166.03% respectively.

The Mean and Standard Deviation of income is Rs. 5001.87 crore and Rs. 1257.685 crore respectively. Besides, mean and standard deviation of profit is Rs. 896.375 crore and Rs. 365.108 crore respectively.

There is again a high degree of positive correlation (i.e. 0.916) between the profit size and income size of the Small Industries Development bank of India as suggested by the R value in model summary table.

The P value of the data as given in the ANOVA table is 0.000 which is too less than the level of significance. If the P value is less than the level of significance, then we have the grounds to conclude that profit has a significant impact on the income of Small Industries Development Bank of India. In addition to this, the model $\text{Income} = 1116.918 + 4.097 * \text{Profit}$, clearly reveals that if there is 1% change in Independent Variable i.e. Profit than it will lead to 4.097 change in Dependent Variable (Income).

Balance Sheet Size

Balance sheet is the only component of financial statement which put on display the financial position of a business. It is the statement of assets, liabilities and capital with assets

on the right hand side of the balance sheet and capital and liabilities on the left side. The assets are recorded in order of liquidity on the balance sheet and the liabilities are recorded in the order of their payment. The liabilities may be of two type's viz. current liabilities and non-current liabilities. Current liabilities are expected to be paid within the year whereas non-current liabilities are paid beyond one year. The balance sheet shows the financial position of a business at a particular point of time and that is the reason why it is called positional statement.

Balance Sheet Size of SIDBI
(In crores)

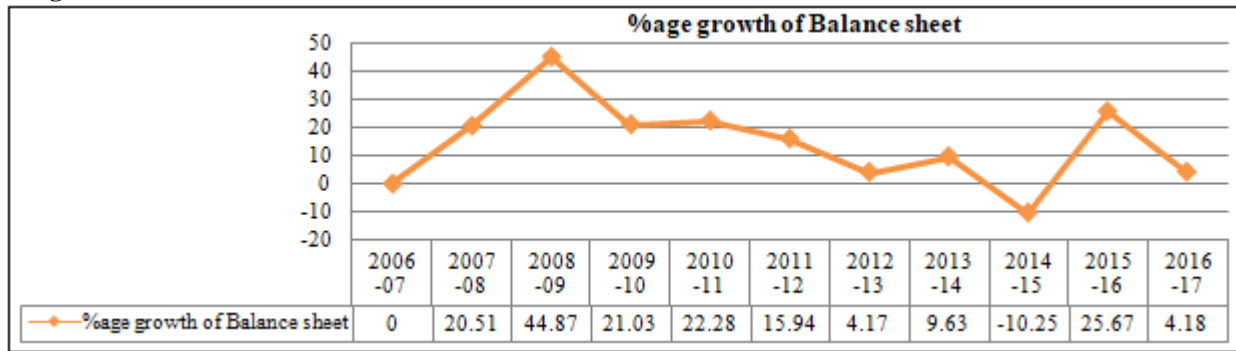
Financial Year	Balance sheet size	Percentage growth
2006-07	19821	---
2007-08	23887	20.51
2008-09	34606	44.87
2009-10	41885	21.03
2010-11	51217	22.28
2011-12	59385	15.94
2012-13	61848	4.17
2013-14	67810	9.63
2014-15	60855	(10.25)
2015-16	76478	25.67
2016-17	79682	4.18

Source: Compiled from Annual Reports of SIDBI

Note: figures in parenthesis indicate negative growth rate

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Balance sheet size	8	41885.00	79682.00	62395.0000	12443.19766
Valid N (listwise)	8				

Percentage Growth of Balance sheet of SIDBI



Interpretation: From the above table it is quite obvious that from financial year 2009-10 to financial year 2013-14 there is a continuous upward trend in percentage growth. Besides, the table also reveals that the balance sheet size of the Small Industries Development Bank of India has increased by 4.18% to Rs 79682 crore in financial year 2016-17 from Rs. 76,478 crore in financial year 2015-16. It was also observed that during the financial year 2014-15 there was a negative percentage growth of balance sheet size. The balance sheet size of Small Industries Development Bank of India in financial year 2009-10 was Rs. 41,885 crore and the same in financial year 2016-17 stood Rs. 79682 crore and hence signify 90.23 percentage growth in balance sheet size during the period.

The SPSS table Descriptive Statistics conveys the mean and standard deviation of the balance sheet size the Bank. The mean and standard deviation value of balance sheet size of Small Industries Development bank of India is Rs. 62,395 crore and Rs. 12,443.12 crores respectively.

5. Conclusion

To conclude, the Small Industries Development Bank of India played a linchpin role in the promotion and development of Micro, Small and Medium Enterprises sector. If truth be told, SIDBI's role is versatile one, as it puts its presence on every pie of MSME sector through its indirect finance, direct finance, promotional and developmental role of Small Industries Development Bank of India and nodal agency for implementing government schemes. Moreover, the Portfolio size and Income size of Small Industries Development Bank of India has a significant impact on Net worth and profit of SIDBI respectively.

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