

# A study on financial support to MSME by Small Industries Development Bank of India

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## Abstract

*India's Micro, Small, and Medium-Scale Enterprises (MSME) are encouraged to grow and prosper by the independent financing organization SIDBI. Following a modification to the SIDBI Act, SIDBI was created on April 2, 1990. On April 2, 1990, an Act of the Indian Parliament established the Small Industries Development Bank of India (SIDBI), which serves as the principal financial institution for promotion, financing, and development of the Micro, Small, and Medium-Sized Enterprises (MSME). As of March 27, it had been separated from IDBI. A financial institution, SIDBI works as a catalyst for the growth of the micro, small, and medium-sized business industries. The purpose of the present article is to demonstrate how SIDBI has assisted MSMEs in India with their financial development via a number of programmes and policies. It also aims to look at how financial assistance for MSMEs in India has evolved through time.*

**Mission:** *To facilitate and strengthen credit flow to MSMEs and address both financial and developmental gaps in the MSME eco-system*

**Vision:** *To emerge as a single window for meeting the financial and developmental needs of the MSME sector to make it strong, vibrant and globally competitive, to position SIDBI Brand as the preferred and customer - friendly institution and for enhancement of share - holder wealth and highest corporate values through modern technology platform.*

**Keyword:-***SIDBI, IDBI, Financial Institution, MSMEs.*

## 1.0 Introduction

Money, which is the essence of finance and the lifeblood of business, is money. Financial resources are required for acquiring assets, creating products, doing market research, and advertising. The conservative viewpoint emphasizes the financial components of finance that are proactive, efficient, risk-averse, and quantitative. The major areas of emphasis of fresh innovative views include vision, opportunity and development centered strategy, intuition, and risk-taking. This is also used by the banking sector to figure out the return on investment for venture capital. Development organizations like IDBI, SIDBI, SFC, ICICI, IIBI, Commercial Bank, and IDFC are now the main providers of funding for MSME. They provide major funding options to promote the growth and development of the industrial sector. The Small Industrial Development Bank of India is the primary accessible source of finance for MSME (SIDBI). In April 1990, the Parliament enacted a special act to create the Small Industrial Development Bank of India with the intention of fostering the country's small scale manufacturing sector. SIDBI is a fully owned subsidiary of IDBI. All groups that promote entrepreneurship and small companies are supported by it. It is the most well-known financial institution for the growth, financing, and support of the micro, small, and medium-sized firm (MSME) sector as well as for coordinating the activities of the institutions involved in related activities[1]. The Government has entrusted the Bank with acting as the nodal agency. for putting into effect various Governmental credit-linked capital-subsidy schemes, such as the Credit Linked Capital Subsidy

Scheme (CLCSS), the Special Credit Linked Subsidy Scheme (SCLCSS), the Technology Up gradation Fund Scheme for Textile Industry (TUFS), the Integrated Development of Leather Sector Scheme (IDLSS), the Scheme of Technology Up-gradation/Setting up/Modernization/Expansion of Food Processing Industries (FPTUFS), and the Technology and Quality Up gradation ( A total of 4453.80 crore in subsidies were released to 54721 MSMEs with the help of SIDBI.

## 2.0 Review of Literature

Researcher addressed the fact that, despite the fact that SIDBI has provided a number of funding sources and programmes for MSMEs, there are still a great deal of financing-related challenges in their joint research, "MSMEs Sector in India: Challenges and Opportunities." In his article "Study on the nature and extent of financial assistance provided by SIDBI to MSME sector in North Eastern Region," 2 claims that SIDBI has aided the MSME of North Eastern Region by providing financial assistance in various forms, such as Refinance Direct Credit, Micro Credit, an Access to Finance Program, and an Access to Capital Program. The research led to the conclusion that SIDBI's several programmes help MSMEs in the North Eastern Region grow. The study "A study on different schemes for MSMEs: with special reference to SIDBI" 3 focuses on several initiatives and programmes to meet the varied needs of the MSMEs. It highlights the essential role SIDBI plays an important role in the growth and development of MSMEs "the role of 07[2]

Development of Small Scale Industries by the Small Industrial Development Bank of India An empirical study of Bangalore [3]4 focuses on SIDBI's financial contribution to the growth of SSI. The paper also emphasizes SIDBI's crucial role in understanding how SIDCS and SIDBI support a variety of smaller sectors in Bangalore's development. The study mentioned above, however, suggests that SIDCS may have developed SSI more effectively. SIDCS may have invested well in small-scale businesses by considering factors such as inflation, product demand, social demands, etc.

## 3.0 Objective of the Study

- 1 To research SIDBI's financial support for the growth of MSMEs
- 2 To evaluate SIDBI's financial position for FY22

## 4.0 Research Methodology

The present study is based on secondary data. The data for the research were gathered through secondary sources. The Ministry of MSME Reports, SIDBI Annual Reports, SIDBI Reports on the MSME Sector, RBI Annual Reports, and a variety of websites pertaining to research topics.

## 5.0 SIDBI Financial Assistance to MSMEs:

SIDBI offers financial assistance to MSMEs through (a) indirect finance / refinancing to qualified Primary Lending Institutions (PLIs), such as banks, State Financial Corporations (SFCs), etc. for onward lending to MSMEs, and (b) direct assistance with a focus on the niche areas, such as risk capital/equity, sustainable finance, receivable financing, service sector financing, cluster specific financial products, funding for MSME infrastructure and marketing activities shown in Table 1..excludes the outstanding Receivable Finance & Bill Discounting of 24 crore in FY 2021 & 37 crore in FY 2022, respectively. In comparison to FY 2021, total Bank sanctions climbed by 53%, while total payments rose by 50%[4].

## 6.0 SIDBI runs their MSME financing agenda through following interventions:

**Direct Lending:** Direct financial support is provided to MSMEs via the SIDBI branch network using demonstration loan products to close credit gaps already present, which might be expanded by the banking eco-system. Direct Finance portfolio outstanding rose from 11,581 crores in March 2021 to 14,150 crores in March 2022, mostly due to increasing traction under special programmes introduced throughout the year, including AROG/SHWAS, STHAPAN,

## LIQUID 2.0, ECLGS, and ARISE

**Indirect Lending:** Financial support is given to banks, NBFCs, new fintech companies, SFBs, and MFIs, which has a multiplier effect and enhances the flow of credit to MSMEs, especially underserved and unserved MSMEs

**Refinance to Banks (inclSFB)&SFCs:** In order to boost the flow of loans to MSEs, Bank strengthens PLIs' resources via refinancing activities. As of March 31, 2022, the bank's refinance outstanding totaled 1,66,832crore, representing a year-over-year rise of 26.71%. As of March 31, 2022, the bank has live clients in 32 commercial banks and 10 SFBs.

**Assistance to NBFCs:**The asset book for 54 NBFCs owned by the bank was 17,935 crore.

**AssistancetoMFIs:**Through a number of actions, the Bank has improved the corporate governance and operational effectiveness of the MFIs, facilitating a smooth flow of sufficient credit to the industry. A number of MFIs converted into Universal Bank/Small Finance Banks as a result of the Bank's transformation of the country's microfinance sector into a mature industrial segment.the total amount of assistance provided under SIDBI's microfinance projects as of March 31, Total benefit to 4.83 crore impoverished consumers in 2022 will be \$23,460 billion. As of March 31, 2022, SIDBI has a \$3,118 crore outstanding microfinance portfolio[5].

**Micro lending – PRAYAAS:** As of March 31, 2022, under the PRAYAAS Scheme, an aggregate sanction of 417.70 crore was approved covering 27,343 beneficiaries, and an aggregate disbursement of 342.25 crore was effected to 21,529 beneficiaries.

**Table 1: Financial Performance:** Comparison of financial performance as on 31<sup>st</sup> March 21 & 31<sup>st</sup> March 22

Business Groups	FY2021			FY2022			O/s Growth
	Sanction	Disb.	O/s	Sanction	Disb.	O/s	% YoY
Direct Credit	4746	4007	11581	6760	5673	14150	22%
Institutional Finance (Refinance)							
- Banks	81637	81637	131664	122781	122335	166832	27%
NBFC	7562	7802	11292	13178	12677	17935	59%
MFI	2717	2583	1672	4178	2893	3118	86%
Cluster Dev.	-	-	-	1038	180	180	-

Total	96662	96029	156209	147935	143758	202215	29%
			*			*	

**Fund of Funds:** Equity support for startups - In order to encourage the spirit of entrepreneurship, equity support is given to startups via Alternative Investment Funds (AIFs) under the Fund of Funds, which is managed by SIDBI on behalf of the government[5].

For each ministry or state government, SIDBI has been administering three Funds of Funds, namely: A programme of the DPIIT, Ministry of Commerce and Industry, India, the Fund of Funds for Startup (FFS), the ASPIRE Fund (Ministry of MSME, India), and the UP Startup Fund (on behalf of Government of Uttar Pradesh).Details is given in Table 2.

**Table 2: Details of funds related to startups**

Fund of Funds for Startup(FFS)	ASPIREFund	UPStartupFund
• Corpusof 10,000crore	• Corpusof 310 crorewith focus on AgroandRural enterprises	• Corpusof 1,000crore
•Sanction of `1815 crore and disbursement of 1007 crore to 15 AIFs during FY 2022	• Assisted fiveAIFs	Cumulative commitmentsunderUPstartupfundason31March2022stands at`20crore totwoAIFs
• Cumulative sanctions of `7,225.45 crore andcumulativedisbursements of 2,492.24croreto86 AIFs as on March 31,2022		

**InfrastructureDevelopment:**To support SIDBI development of clusters, the Cluster Construction Fund (SCDF) was established with a capital of \$6,990 crore to provide ~~State~~ Governments low-cost finance for the development of infrastructure in MSME clusters.

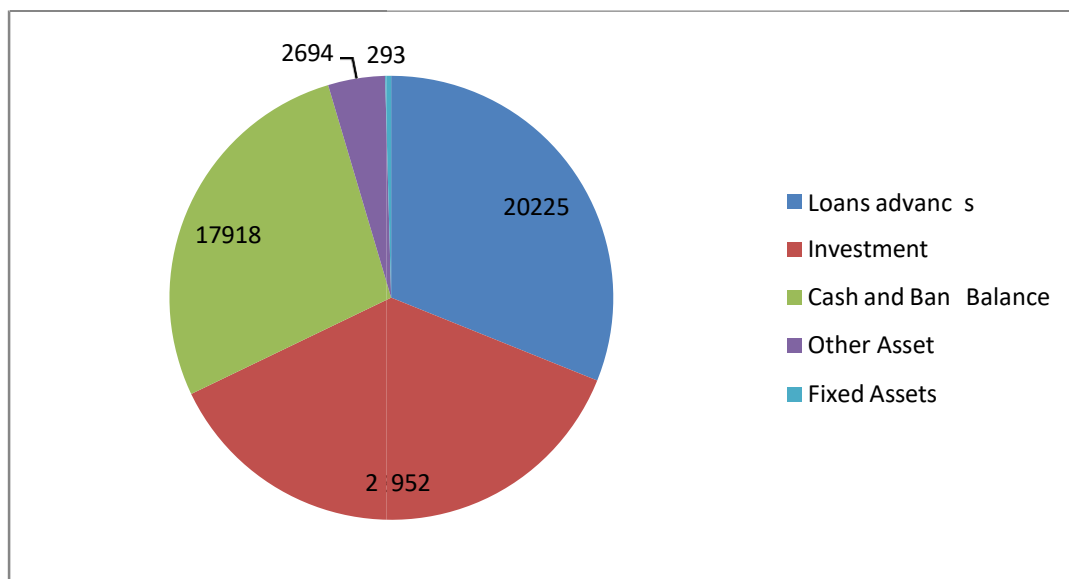
**Green Financing:** New steps are being made to provide funding for projects addressing clean energy, climate change, electrical vehicles, energy efficiency, etc.

#### 7.0 . Financial performance of SIDBI:Key Highlights

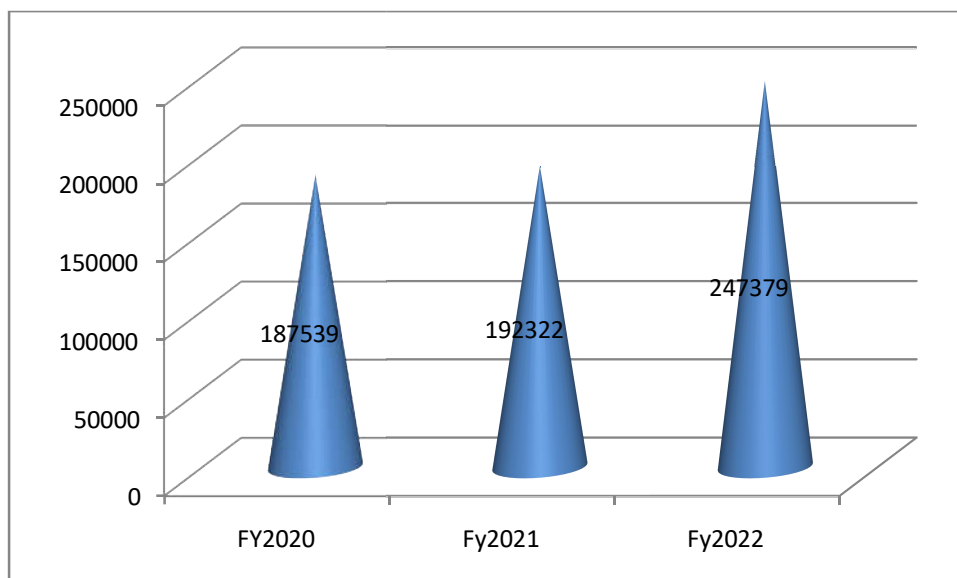
- During FY 2022, the Bank's operations centered on reviving the MSME sector, which was consistent with the government's goals. Although the year was interrupted by the pandemic, the Bank has maintained its leadership position and produced growth in the majority of important financial metrics. As a result, MSMEs were able to first endure, then recover, and now rise to grab the next wave of growth..

- In FY 2022, the Bank's outstanding business portfolio for the first time exceeded the Rupees 2 trillion mark, marking another significant milestone for the institution and representing a 29% increase over FY 2021. As of March 31, 2022, the bank's asset base was 2,47,379crore, with a year-over-year growth rate of 29%. up to 54721 MSME[6]
- **ASSETPROFILE:**At the end of FY 2022, the Bank's Asset Base was 2,47,379crore, representing a Y-o-Y increase of 29%. The following chart illustrates the division of the key components of the Balance Sheet, including Loans and Advances, Investment, Cash & Bank Balance, Other Assets, and Fixed Assets. The details are shown in Figure 1 and 2.

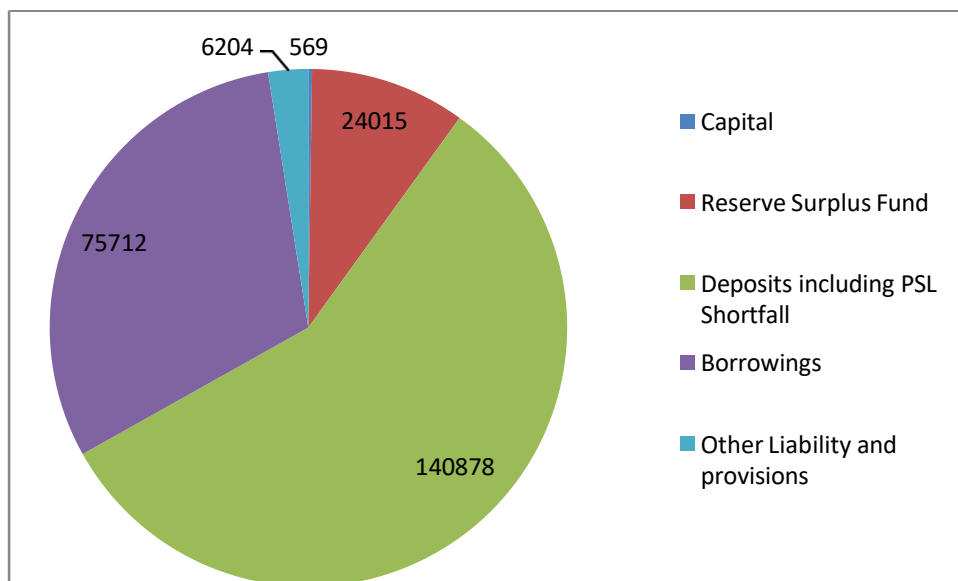
**Figure 1 : Asset Profile of SIDB in crore**



**Figure : 2 Growth of Asset base of SIDBI in crores**

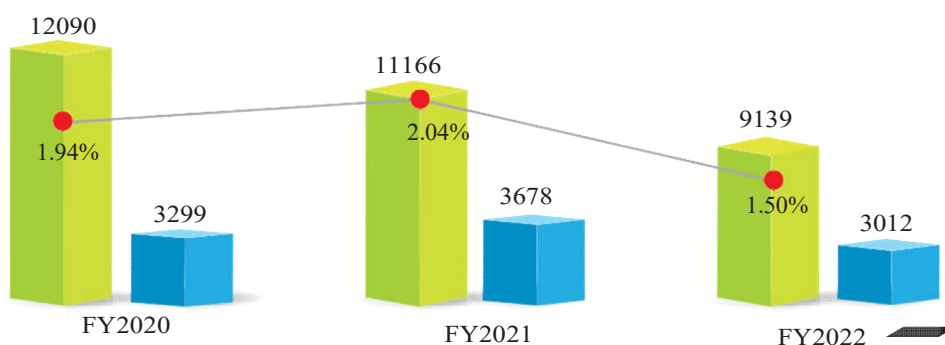


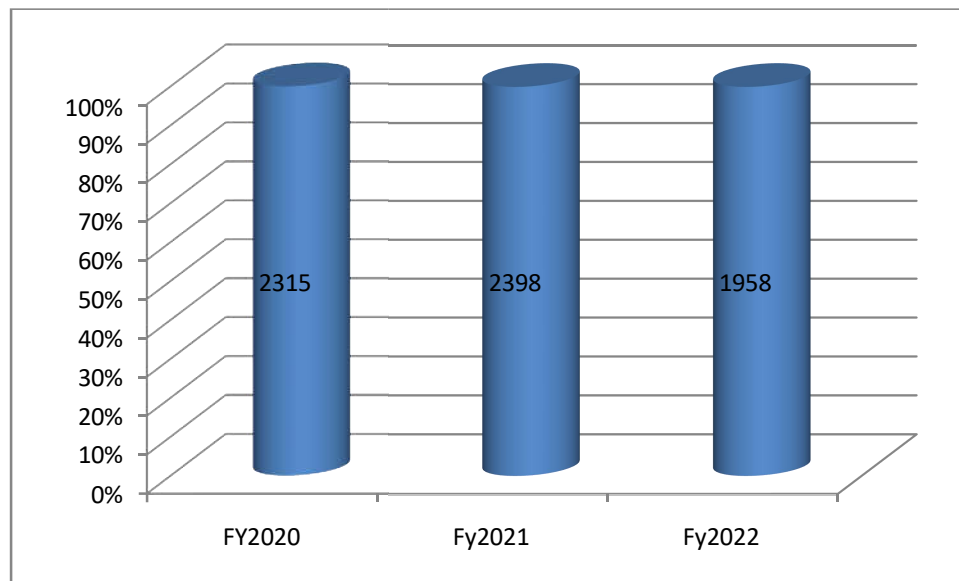
**Liability Profile in crore:**An growth in borrowings was the primary factor in the bank's resources raised and resulting liabilities (deposits from banks under PSL shortfall, borrowings from RBI, market borrowings, etc.). By converting Tier I bonds into capital, capital and net value grew..The results are shown in Figure 3

**Figure 3 : Liability Profile of SIDBI in crore**

### 8.0. Income and Margins

With a decrease of 18% from FY 2021 to FY 2022, total income was \$9,139 crore. Also falling by 18% to 3,012 crore, net interest income fell for the fiscal year 2022. In FY 2022 compared to FY 2021, the Net Interest Margin dropped by 54 basis points and was 1.5%. Decline is consistent with the context of falling interest rates and the bank's goal to improve the flow of credit to MSMEs at competitive rates. Income (' crore) & Margins Details given in Figure 4 and 5. [7]

**Figure 4 : Details of income and margin**

**Figure 5 : Profit details of the banks**

## 8.0 .Conclusion

Through its activities, the Indian Small Industries Development Bank helps MSMEs with financial, promotional, development, and coordination services. It has launched a range of measures to help MSMEs grow their earnings. In this paper, we emphasize indirect assistance provided by SIDBI to MSMEs. At the end of the fiscal year 2022, the provision coverage ratio (PCR) was 96%, up from 93% at the end of the fiscal year 2021. The Capital Adequacy Ratio was 24.28% at the end of the fiscal year 2022, down from 27.49% at the end of the fiscal year 2021. As of March 31, 2022, Gross NPA was at 0.11% and Net NPA stood at 0.07%, improving by 7 basis points and 5 basis points, respectively, from FY 2021. As opposed to 154.08 crore in FY 2021, business per employee increased to 205.54 crore in FY 2022. During the fiscal year 2022, net profit per employee was 1.99 crore

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