

# A Study of Performance of SIDBI in the Development of MSMEs in India

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## ABSTRACT

The Micro, Small, and Medium-Sized Enterprises (MSMEs) sector has a significant impact on the expansion of the Indian economy. On April 2, 1990, the Indian government formed the Small Industries Development Bank of India (SIDBI) to fulfil the financial, development, and promotion requirements of the MSMEs sector. The SIDBI acts as a nodal organisation, facilitator, and accelerator for the expansion of MSMEs. Secondary sources were used in the research. The majority of the information was taken from the SIDBI Annual Reports. According to the report, the majority of performance ratios and indicators have an upward trend and a positive growth rate, which shows how effectively SIDBI has performed. The bank will undoubtedly achieve new heights in the MSMEs sector over the ensuing years.

**Keywords---** GDP, MSME, Productivity, SIDBI, Economy, Financial Institution

products and employ over 11.7 crore people (in value). MSMEs are also essential to achieving the \$5 trillion economic goal. The COVID-19 epidemic hindered MSMEs' operations to some extent, but it is anticipated that government policies and actions will aid in their recovery. In addition, the effectiveness and efficiency of the resources mobilised by financial institutions/development banks are crucial for the expansion of MSMEs in India, a country that is self-sufficient and stands out for women's rights. The All India Financial Institutions (AIFIs), which are essential for increasing the flow of credit (direct or indirect) to MSMEs, include development banks. It was decided that because MSMEs are so important to economic growth, a distinct body should be created to address the sector's particular needs. The Indian government as a result established the Small Industries

## I. INTRODUCTION

India is one of the fastest-growing economies in the world. With \$3.68 trillion in nominal Gross Domestic Product (GDP) and \$11.87 trillion in purchasing power parity (PPP), it is the third-largest economy in the world (IBEF, Nov. 2021). It was ranked 138th (nominal GDP) and 118th (PPP GDP) in terms of per capita income (IMF Report). In the next 10 to 15 years, it's expected to be one of the top three economic superpowers in the globe. (Business Standard, November 21, 2021) The Indian economy will grow by at least 10% during the current fiscal year (2021–2022) and by at least 8% during the following year (after the COVID-19 epidemic) (NITI Aayog, 2021). The IMF projects that this year's economic growth will be 9.5 percent. The Reserve Bank of India (RBI) predicts a growth rate of 9.5% for the current fiscal year. November 21st, 2021 (Business Standard) MSMEs (Micro, Small and Medium Enterprises) are one of the most significant pillars (backbones) of the Indian economy, contributing to the growth of the economy with a vast network of roughly 6.3 crore units, employing roughly 11.7 crore people, and accounting for roughly 30.3 percent of GDP, 45 percent of manufacturing outputs, and 49.81 percent of total exports. MSMEs produce over 6,000

## II. SMALL INDUSTRIAL DEVELOPMENT BANK OF INDIA (SIDBI)

As a fully owned subsidiary of the Industrial Development Bank of India, the Small Industries Development Bank of India (SIDBI) was established in the Indian Parliament under section 3(1) of the Small Industries Development Bank of India Act, 1989. (IDBI). Its headquarters are in Lucknow, Uttar Pradesh, and it was established on April 2, 1990. It was cut off from IDBI in March 2000. The Indian government and 22 other organizations/banks jointly own SIDBI. It is an apex financial organisation that focuses on financing, promoting, and developing MSMEs. It also works in conjunction with other organisations and banks to carry out related functions. The goal of SIDBI is to support and improve the flow of loans to SMEs while also addressing the ecosystem's financial and developmental shortcomings. The bank executes government and RBI activities as a centralised, dependable agency. In accordance with the inclusive growth objective of "Sabka Saath, Sabka Vikas," SIDBI Vision 2.0 envisions the transformation of SIDBI into an All India Financial Institution (AIFI) to cater to the credit and non-credit requirements of MSMEs and make them competitive on a global scale. The bank must act as a

facilitator, thought leader, and aggregator in Vision 2.0 to support the expansion of MSMEs.

### III. FINANCIAL SCHEMES OF SIDBI

**SMILE:-** SIDBI Make in India Soft Loan Fund - provides loans to new manufacturing and service firms with a minimum loan value of Rs. 10 lakhs for equipment financing and Rs. 25 lakhs for other purposes. The repayment duration is ten years, including a 36-month moratorium.

**SEF:-** For the purchase of new equipment, SMALE Equipment Finance provides low interest rates with a 72-month payback schedule and a minimum sum of Rs. 10 lakhs.

Loans from OEMs, where the plan can enable MSMEs get machinery and equipment from OEMs with a credit sum of up to Rs. 1 crore. The minimum time necessary to run a firm is three years, with a loan payback duration of 60 months.

**STFS:-** SIDBI Trader Finance Scheme is for MSMEs with a minimum loan term of three years and good business performance (minimum loan amount of Rs. ten lakhs and maximum loan amount of Rs. one crore) and a maximum payback term of 60 months.

**SPEED:-** SIDBI offers 100% financing options of Rs. 1 crore to new enterprises and Rs. 2 crores to existing firms with a minimum operating duration of three years under

**SPEED:-** Loans for Purchasing Equipment for Enterprise Development. The repayment length for these loans ranges from 2 to 5 years, with a 3-6 month moratorium period included. The yearly rate of interest is between 9.25 and 10%.

**CASH CREDIT:-** MSMEs might get working capital or cash credit depending on their needs.

### IV. RECENT INITIATIVE OF SIDBI

The bank has developed a variety of programmes targeted at creating a stable environment for MSMEs as the leading financial institution for MSME growth. The following are some of the bank's projects: 2018 saw the debut of the Swavalamban campaign by SIDBI, which aims to encourage entrepreneurship and mainstream business. To manage the portfolio of NPAs, the bank established the 07 SARB (Specialized Assets Recovery Branch) and the 01 Recovery Cell. The PRAYAAS initiative offered partnership-based financial assistance to microloan borrowers and entrepreneurs at the base of the pyramid. As of March 31, 2021, 14,260 micro entrepreneurs had received grants totaling Rs. 172.21 crore. As part of the ECLGS strategy, the bank launched Timely Working Capital Assistance to Revitalize Industries in Times of Corona Virus (TWARIT). As of

March 31, 2021, a total of Rs. 1,093.42 crore had been approved for 2,840 consumers.

The SIDBI has implemented 4S measures to settle non-financial conflict as part of its Promotional and Development Functions for MSMEs. These are the 4S:

**1. SAMPARK:** The goal of this programme is to link entrepreneurs and small businesses.

**2. SAMWAD:** It is concerned with the development of strong partnerships among various MSMEs sector stakeholders.

**3. SURAKSHA:** It is concerned with establishing an environment that is conducive to the growth and development of MSMEs.

**4. SAMPRESHAN:** It is concerned with MSME entrepreneurs' good engagement with policymakers and others. SANGAM (confluence) has been added as the fifth pillar (5th S) as part of Mission Swavalamban. A specific window has been opened for capex financing under the SMILE programme

The SANGAM (confluence) has been incorporated as the fifth pillar of Mission Swavalamban (5th S) A specific window for capex financing was introduced under the SMILE plan. The bank launched the SIDBI Assistance to Facilitate Emergency (SAFE), SAFE-Plus, and SAFE-WCTL programmes to combat the corona virus. The bank developed the COVID-19 Startup Help Scheme (CSAS) to give financial assistance in the form of WCTL. The bank has launched several initiatives to help MSMEs grow, including the Udyamimitra portal, PSBLoansin59minutes, SMART (SIDBI Multifunction Appraisal and Rating Tool), LIQUID scheme, TIFAC-SIDBI (Srijan), Gramin Navonmesh Protsahan, Bank Sakhi Programme, Fintech Pulse, Swavalamban Divyangjan Assistive Tech Market Access (ATMA), SIDBI Centre for Innovation.

### V. LITERATURE REVIEW

S Sharma and K Dhaliwal (2011) centred their article on the SIDBI's lending programmes and other measures for the MSME sector's growth. The SIDBI's position as the apex and primary finance institution for MSME growth has grown critical. SIDBI's performance is favourable, according to the report, since lending to the MSME sector has steadily increased over time.

K. Sankara Rao, Abdul Rahman Noorinasab (Dec -2013) The research focused on the achievements of SIDBI in the growth of MSME and the difficulties faced by MSME. According to the survey, inadequate financial support, a lack of appropriate raw material supplies, and inadequate infrastructure facilities were the biggest obstacles to MSME development. To combat the issue of insufficient funding, SIDBI offers financial support.

Eswaran N and Meenakshi M (2017) The performance metrics of SIDBI, such as net profit, long-term fund, non-interest income, and total revenue, increased significantly faster than non-interest costs and interest.

Francis S. J. (2019) examines the financial results of SIDBI from 2007–2008 to 2017–2018. According to the analysis, most performance indicators showed an upward tendency over the time period under investigation.

Gorkhe M (2021) investigated SIDBI's performance. According to the study, SIDBI's performance has been getting better over time. The goal of enabling MSMEs is likewise connected with the numerous SIDBI programmes.

### VI. OBJECTIVE OF STUDY

1. To access various financial schemes of SIDBI
2. To access the role of SIDBI in developments MSME in India
3. To access the role of MSME sectors in economic development

### VII. RESEACH METHOLOGY

The study is based on secondary data. The Ministry of MSME's publications, the RBI Annual Reports, the SIDBI Annual Reports, SIDBI's Reports on the MSME Sector, and several websites pertinent to the issue have all provided the necessary data and information.

### VIII. INTRODUCTION OFMSMEs

Micro, Small, and Medium Sized Businesses (MSMEs) are essential to India's quick industrialization. It significantly raises India's GDP and contributes to the development of jobs. According to the Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, MSME Gross Value Added (GVA) in total GVA for 2016–17 was 31.8 percent (MOSPI). The major executive authority for the development and implementation of laws, rules, and regulations relevant to Micro, Small, and Medium Enterprises in India is the Ministry of Micro, Small, and Medium Enterprises. It is a division of the Indian government. By 2020, the government wants MSMEs (micro, small, and medium-sized businesses) to contribute \$2 trillion to the nation's GDP. (Gross Domestic Product). With the introduction of the MSMED Act in 2006,

**Table 1:** Enterprises that manufacture goods and those that provide services

	Micro	Small	Medium
<b>Manufacturing Enterprises and Enterprise Rendering Services</b>	Investment not more than Rs. 1 crore in plant and machinery or equipment, and not more than Rs. 5 crore in annual turnover	Investment not more than Rs.10 crore in plant and machinery or equipment, and not more than Rs.50 crore	Investment not more than Rs.50 crore in plant and machinery or equipment, and not more than Rs.250 crore in annual turnover Plant and Machinery or Equipment

### VIII. DATA ANALYSIS AND INTERPRETATION

SIDBI was established by the Indian government to encourage the growth and development of MSMEs. The bank has started a number of initiatives since its formation to increase MSMEs' access to funding in the industry. It has been highlighted that the bank's offerings and policies have undergone a substantial change. The SIDBI provides

MSMEs with direct and indirect financial assistance. The problem with MSME sectors is that their creditors occasionally don't pay them on time. Technology innovation and corporate growth are hampered by a lack of funding. To assist the MSME in resolving its difficulty, SIDBI provides financial support for technical development, raw material supply, and working capital financing. With the use of the tables and graphs below, SIDBI's effectiveness is being assessed.

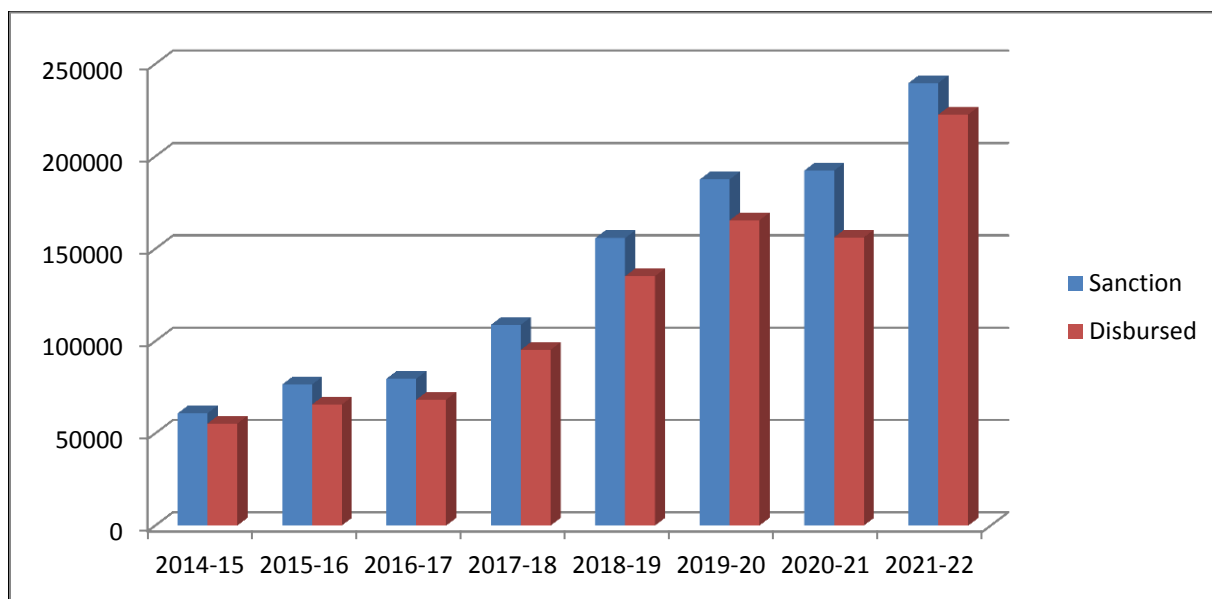
**Table 2:** Amount of Loan Sanction and Disbursed by SIDBI

(All figures in Crore)

Year	Sanction	Disbursed	Percentage
2014-15	60855.00	55341.53	90.94
2015-16	76478.50	65632.10	85.81
2016-17	79682.30	68289.60	85.70
2017-18	10889.45	95290.70	87.50
2018-19	155860.80	135230.37	87.40
2019-20	187538.98	165421.56	88.20
2020-21	192322.44	156232.79	81.23
2021-22	239751.00	222689.00	92.88

(Source: Annual Reports of SIDBI)

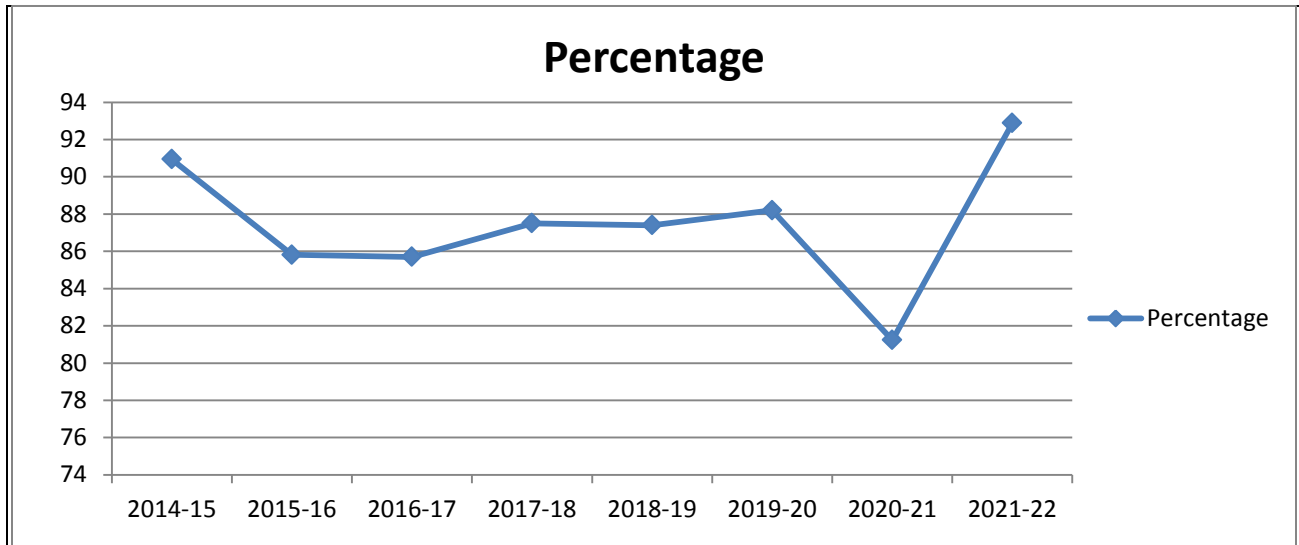
**Chart: 1**



The table displays the amount of money that SIDBI has approved for loans and delivered under different programmes. We infer that the portfolio exhibits growth in line with the SIDBI Annual Reports. Both punishment amounts and money that has been distributed are shown on the ward movements. Of the Rs 60855.00

Crores of Rupees that SIDBI sanctioned in FY. 2015–2016, 55342.60 Crores were dispersed by SIDBI over the same year. The amount has increased during FY.2015–2016; in FY. 2021–2022, SIDBI distributed over Rs 222689.00 crores while imposing sanctions totaling Rs 239751.00 crores.

**Chart 2:** Percentage of Loan disbursement by SIDBI from FY 20014-15 to FY 2021-22



The aforementioned graph makes it obvious that the loan distribution ratio is heading in the right direction. In the years FY 2015–2016 and FY 2021–2022, SIDBI had a loan sanctions to disbursement ratio of 90.94 percent, however it almost reached 92.91 percent in the latter. During the research period, SIDBI dispersed percent of loans, making it the best year for loan distribution.

### IX. CONCLUSION

MSMEs significantly contribute to the expansion of the Indian economy. The primary goals of MSME are to increase domestic output, generate employment, and make money through exports. The expansion of industrial areas in India is supported by the MSME for major businesses. Creditors' excessively delayed payments are MSMEs' major issue. The absence of infrastructure inputs and support from commercial banking are the other issues. Finance was necessary for the development of modern civilization and the success of economic activities. SDIBI runs a number of programmes and offers financial help in

an effort to ease MSME's financial issues. MSME has consistently advanced thanks to SIDBI.

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