



MSME LENDING

BANKER'S PERSPECTIVE

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MSME Overview

Total Working Enterprises	4.88 crore units
Employment	11.14 crore people
Share of MSME sector in total GDP (%)	37.54 %
Share of Services Sector MSME in GDP	30.50 %
Share of Manufacturing Sector MSME in GDP	7.04 % (37.33% of total manufacturing)
Gross Value of Output of MSME Manufacturing Sector	Rs.18 lakh crore (2012-13)
Source : Annual Report on MSME 2014-15	

Definitions

- Micro, Small and Medium Enterprises Development Act, 2006

<i>Enterprise (Type)</i>	<i>Investment in Plant & Machinery (Manufacturing)</i>	<i>Investment in Equipment (Service)</i>
<i>Micro</i>	<i>Up to ₹25 lakh</i>	<i>Up to ₹10 lakh</i>
<i>Small</i>	<i>Above ₹25 lakh upto ₹5 crore</i>	<i>Above ₹10 lakh upto ₹2 crore</i>
<i>Medium</i>	<i>Above ₹5 crore upto ₹10 crore</i>	<i>Above ₹2 crore upto ₹5 crore</i>



Basic Characteristics

- Unorganised, scattered and fragmented setup
- Individual oriented
- Lack of technical know how, management expertise, accounting and legal knowledge
- Inadequate knowledge of raw material sources and markets
- Scarcity of capital
- Low knowledge on taxation/compliance norms

Promotional Institutions

- Ministry of Micro, Small and Medium Enterprises:
Office of the Development Commissioner
- Training Institutes : *NI-MSME Hyderabad, NIESBUD Noida, IIE Guwahati*
- Institutional Network: Testing Centres, Technology Development Centres, Tool Rooms
- State Level Institutional Support: District Industries Centres, State Financial Corporations
- Other institutions:
 - Small Industries Development Bank of India (SIDBI)
 - The Small Industries Development Organisation (SIDO)
 - National Board for Micro, Small and Medium Enterprises (NBMSME)
 - Khadi and Village Industries Commission (KVIC)
 - Commercial Banks
 - National Small Industries Corporation (NSIC)
 - Small Scale Industries Board (SSIB)
 - Coir Board

Role of Professional Bodies

- Liaising/intermediation between promotional institutions, MSMEs and Banks.
- Identification of potential schemes, categories and units
- Due diligence and risk assessment for MSMEs
- Extending support services to MSMEs
 - Market analysis, accounting and taxation services, project preparation, auditing
- Support services to commercial banks
 - Due diligence services,
 - Stock audits / statutory audits,
 - Forensic audits
 - Project due diligence and Viability studies

Project due diligence and Viability studies

➤ Understanding the activity

- At Execution Stage
 - Technology and systems
 - Product and market
 - Substitutes
 - Execution Schedule
 - Man power availability/ recruitment
- At Production Stage
 - Production planning
 - Marketing set up
 - Distribution and sales
 - Administrative Systems
 - Supervision and Accounting
 - Management Reporting

➤ Understanding the Promoter

- Past Experience
- Expertise and Knowledge
- Financial Standing
- Income Lines And Assets Base
- Second Line Support

➤ Understanding Cost Components

- Basis of Coasting
- Comparative study
- Supply Line Tie-up
- Realistic Approach
- Sourcing of Materials
- Man Power Support
- Technical Skills and Coasting
- Estimation of Contingencies

➤ Understanding Means of Finance

- Extent of Margin
- Sources of Margin
- Loan Tie-up
- Other Sources



Complementary role as financial professionals

- Training modules to Bank staff on
 - Dynamics of SME Business
 - Analysis of business performance
 - Balance sheet analysis
 - Due diligence studies

Corporation Bank's MSME Schemes

SCHEME	FEATURES
CORP CA	For Chartered Accountants or Partnership Firm registered with ICAI. To finance the cost of new office, working capital etc
CORP TERM PLUS SCHEME	Term Loan to provide a funded line of credit for expansion/ modernization of existing activity
CORP SME RECEIVABLE FUNDING	80% funding of the receivables up to a maximum of Rs. 50 lakhs
CORP SME CREDIT CARD RECEIVABLE FUNDING	75% of the average credit card receivables up to a maximum of Rs. 25.00 lakhs
CORP LAGHU UDHYAMI CREDIT CARD SCHEME (CLUCC)	To meet term loan and working capital credit needs of micro SMEs. Maximum Rs.10 lakh.
SME LIQUID PLUS SCHEME	Running account in the form of overdraft. From Rs.10 lakhs to Rs.1 crore, subject to a maximum of 65% of the value of immovable property or 90% of the value of financial assets such as NSCs/FDs/LIC Policies etc.
CMTCC SCHEME	Loan against mortgage for personal expenses, business requirements etc.
CORP SME AUTO PLUS SCHEME	To acquire plant & machinery and to meet the working capital requirements. 75% of cost of plant and machinery subject to a maximum Term Loan of Rs.7.50 crore and a Maximum Rs.7.50 crore for working capital.
CORP SME TEXPLUS SCHEME	For setting up new units / expansion / technology upgradation / substitution of high cost debt and working capital requirements
CORP VYAPAR SCHEME	For providing short term working capital facilities to traders engaged mainly in buying and selling of goods/commodities



THANK YOU