

A Project Report On

**“Analysis Of Diversify Loan Products Offered By Banks & NBFC’s To M.S.M.E
Sector In India”**

Submitted to:

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Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

In partial fulfillment for the award of the degree of

BACHELOR OF BUSINESS ADMINISTRATION

Submitted by

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Under the guidance of

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G.S. college of commerce & Economics , Nagpur

NAAC Re -Accredited "A" Grade Autonomous Institutions

Academic Year 2021-22



G.S. college of commerce & Economics , Nagpur

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Academic Year 2021-22

CERTIFICATE

This is to be certify that the project entitled “**Analysis Of Diversify Loan Products Offered By Banks & NBFC’s To M.S.M.E Sector In India**” prepared by “**Sarvesh .D.**

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ADMINISTRATION degree examination, has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he has completed his project as prescribed by BBA Department (Autonomous), G.S. Autonomous College Of Commerce & Economics, Nagpur. Affiliated

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DECLARATION

I here-by declare that the project entitled “**Analysis Of Diversify Loan Products Offered By Banks & NBFC’s To M.S.M.E Sector In India**” has been completed by me in partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination as prescribed by BBA Department (Autonomous), G.S. Autonomous College Of Commerce & Economics, Nagpur. Affiliated To Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

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Sarvesh .D. Muley

Place: NAGPUR

Date:

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CHAPTER 01.

INTRODUCTION

Micro. Small. Medium. Enterprise.



What is MSME? – An Introduction

MSME stands for Micro, Small, and Medium Enterprises. In accordance with the Micro, Small, and Medium Enterprises Development (MSMED) Act in 2006, the enterprises are classified into two divisions.

1. **Manufacturing enterprises** – engaged in the manufacturing or production of goods in any industry
2. **Service enterprises** – engaged in providing or rendering services

Features of MSMEs

Here are some of the essential features of MSMEs

1. MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets for businesses.
2. MSMEs support product development, design innovation, intervention, and packaging elements of a business.
3. MSMEs support the upgrading of technology, infrastructure, and the modernization of this sector as a whole.
4. MSMEs provide employment opportunities and loans .
5. MSMEs provide credit limits or funding support to various banks in the country.

Role of MSMEs in the Indian Economy

The MSME sector has proven to be a highly dynamic factor in the forecasting of the Indian economy. Since MSMEs produce and manufacture a variety of products for both domestic as well as international markets, they have helped promote the growth and development of various product segments and industries.

MSMEs have played an essential role in providing employment opportunities in underprivileged areas. They have helped in the industrialization of such areas with a low capital cost compared to the larger industries in cities. MSMEs have also contributed and played an essential role in the country's development in different areas like the requirement of low investment, flexibility in operations, low rate of imports, and a high contribution to domestic production.

New MSME definition based on investment and turnover (2020)

On 1st June, Monday, the Union Cabinet headed by Prime Minister Narendra Modi officially revised the MSME definition. The recent changes in the definition of micro, small, and medium-sized enterprises made as a part of the Atmanirbhar Bharat Abhiyaan relief package were approved.

The investment and turnover figures were changed to larger values, thereby resulting in a larger number of medium-sized enterprises.

The new MSME definition (2020)

Investments will no longer characterize MSMEs.

On 13th May, Wednesday, the center officially revised the MSME definition.

In October 2019, Union Minister Nitin Gadkari had said that the revised definition of micro, small, and medium enterprises may grant a unified description for all things related to taxation, investment, and more.

The changed definition was to be implemented via an amendment that would further refine the business scenario for Indian enterprises.

The Union Cabinet had approved the amendment to change the criteria to classify MSMEs from “**investment in plant and machinery**” to “**annual turnover.**”

Updated MSME Definition		
Type of enterprise	Investment	Turnover
Micro	Rs 1 crore	Rs 5 crore
Small	Rs 10 crore	Rs 50 crore
Medium	Rs 50 crore	Rs 250 crore

On 13th May 2020, Finance Minister Nirmala Sitharaman added the additional principle of turnover along with the investment.

MSME definition – why the change

As Finance Minister Nirmala Sitharaman made the announcement about the change, she also addressed the reasons behind it. She said the new definition will bring about many benefits that will aid MSMEs to grow in size.

This was made under **Atma-nirbhar Bharat Abhiyaan Economic Package** to assuage India’s economic predicament amidst the pandemic.

Combined with all previous economic stimulus efforts, the total amount of the relief package comes to a whopping Rs. 20 lakh crore.

Key announcements of Atma-nirbhar Bharat Abhiyaan

- Rs 3 lakh crore collateral free automatic loans for MSMEs
- Rs 50,000 crore equity infusion through MSME Fund of Funds
- Rs 20 crore subordinate debt for MSMEs
- Extension of registration and completion date of real estate projects under RERA
- Immediate pending refunds issuance to all non charitable trusts
- Extension of the due date for ITR for FY'19-20 to November 30, 2020

Old MSME definition based on investment, MSMED Act, 2006

Manufacturing Sector

Enterprises Investment in plant and machinery

Micro enterprises < or = Rs 25 lakh

Small enterprises > Rs 25 lakh < Rs 5 crore

Medium enterprises > Rs 5 crore < Rs 10 crore

Services Sector	
Enterprises	Investment in equipment
Micro enterprises	< or = Rs 10 lakh
Small enterprises	> Rs 10 lakh < Rs 2 crore
Medium enterprises	> Rs 2 crore < Rs 5 crore

Headquartered in New Delhi, the Ministry of MSME is a branch of the Indian Government, which is the apex body for the formulation and administration of rules, and laws, pertaining to micro, small, and medium-sized enterprises in the country.

Having created 11 crore job opportunities in India while contributing to the GDP by 29%, we can say that MSMEs are the heart of the Indian economy. And the change in the definition will enable Indian enterprises to carry out their businesses better.

Some of the entities that work under the Ministry of MSME are as follows:

- A Scheme for Promotion of Innovation, Rural Industries, and Entrepreneurship (ASPIRE)
- Khadi and Village Industries Commission (KVIC)
- Mahatma Gandhi Institute for Rural Industrialization (MGIRI)
- National Institute for Micro, Small and Medium Enterprises (NIMSME)
- National Small Industries Corporation (NSIC)
- Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

List of projects that have been identified by the Ministry of MSME for promoting MSMEs in aspirational districts with a number of projects:

- Prime Minister Employment Generation Program (PMEGP) – 178
- Micro & Small Enterprises Cluster Development (MSE-CDP) – 81

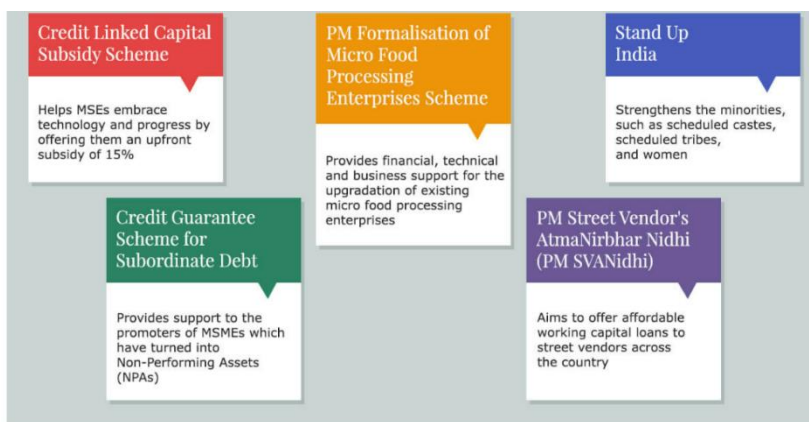
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- Skill Upgradation & Mahila Coir Yojana (MCY) – 2
- Market Promotion & Development Scheme (MPDA) 1

Contribution of MSMEs in Country's Economy at Current Price.

Year	MSME Gross Value Added	Growth (%)	Total Gross Value Added	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2622574	-	8106946	32.35	8736329	30
2012-13	3020528	15.17	9202692	32.82	9944013	30.40
2013-14	3389922	12.23	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	15253714	28.90

Source: Central Statistics Office (CSO), Ministry of Statistics & Program Implementation

Beneficial Government Schemes For M.S.M.E.



1. Credit Linked Capital Subsidy Scheme

A number of Micro and Small Enterprises (MSEs), such as tiny units, khadi units, village and industrial units, coir industrial units, etc., need a technology up-gradation in terms of new machinery, modern equipment and techniques. The Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation helps these MSEs to embrace technology and progress by offering them an upfront subsidy of 15%.

Details And Objectives of CLCSS

- This government scheme for MSME/MSE facilitates technology up-gradation in MSEs – such as upgrading the plant, or its machinery

with state-of-the-art technology or helping new MSEs set up their facilities with appropriate, eligible and proven technology duly approved under scheme guidelines.

- The scheme provides an upfront capital subsidy of 15 per cent (on institutional finance of up to Rs 1 crore availed by the MSE). The ceiling on the subsidy would be Rs.15 lakh or 15% of the investment in eligible plant and machinery, whichever is lower.
- The scheme has approved 51 specified sub-sectors or products for the induction of well-established and improved technology.
- The list of technologies is available at www.dcmsme.gov.in

Eligibility For CLCSS

- Micro and Small Enterprises (MSEs) having a valid UAM (Udyam) number are eligible to apply for the Scheme.
- The scheme does not qualify to replace the existing machinery/equipment with the same technology/machinery or to purchase second-hand machinery for the subsidy.

- The eligible beneficiaries for this scheme are women entrepreneurs, Private and Public Limited Companies in the SSI sector, Co-operative societies, Partnerships, Proprietorships.

The CLCSS MSME Government Business loan scheme for technological upgradation can benefit a number of businesses tremendously.

2.Credit Guarantee Scheme for Subordinate Debt

The Credit Guarantee Scheme for Subordinate Debt (CGSSD) is a scheme launched by the Government to provide support to the promoters of MSMEs which have turned into Non-Performing Assets (NPAs) as of 30th April 2020 by providing a certain amount as equity for the MSME units to thrive. This Government scheme for MSME will help businesses revive themselves and function again.

Details And Objective Of The Scheme

- The scheme provides a collateral-free loan or working capital facility up to a limit of Rs 2 crore for MSEs from Banks/Financial institutions/Regional Banks/NBFCs.
- According to the scheme, 90% assistance will be provided by the trust or the scheme, and the remaining 10% by the promoter.
- The MSME promoters will be provided credit equal to 15% of their stake or Rs.75 lakh, whichever is lower.

- The scheme's maximum repayment tenure is 10 years and the moratorium on payment of principal is 7 years.
- Since it is difficult to provide an outright loan to the promoter, a sub-debt with a guarantee will ensure that the MSME unit is given the necessary financial assistance to function.
- The MSMEs that have become NPAs or are on the brink of turning into one, will be able to revive themselves and function in a sustainable manner owing to this subordinate debt.

Eligibility For CGSSD Scheme

- The MSMEs whose account has been operational since 31 March 2018, or has been deemed a standard or NPA account during the financial years 2018-19 and 2019-20 can apply for the CGSSD scheme.
- Also, MSME units that are stressed and are considered to be SMA-2 or NPA accounts as of 30th April 2020 can apply for this scheme.
- The promoters of the MSME units will be provided with a personal loan. These units can be partnerships, private limited companies, registered companies, proprietorships, etc.
- Any fraud or willful defaulters are not eligible to apply for this scheme.

3. PM Formalisation of Micro Food Processing Enterprises Scheme

The Ministry of Food Processing Industries (MoFPI), in partnership with the States, has launched an all India centrally sponsored "PM Formalisation of Micro Food Processing Enterprises Scheme (PM FME Scheme)" for providing financial, technical and business support for the upgradation of existing micro food processing enterprises.

Details And Objectives Of The Scheme

- The projects under the scheme are eligible for loan up to 90% of the estimated project cost on submission of viable projects by eligible beneficiaries.
- The scheme aims to provide support for capital investment for upgradation and formalization with registration for GST, FSSAI hygiene standards and Udyam Registration.
- The scheme increases access to finance by micro food processing units, and increases in revenues of target enterprises.
- It also assists capacity building through skill training, imparting and enhancing technical knowledge on food safety, standards & hygiene and quality improvement.
- The scheme also provides hand-holding support for the preparation of DPR, availing bank loan and upgradation.
- The scheme also grants support to Farmer Producer Organizations (FPOs), Self Help Groups (SHGs), producers cooperatives for capital investment, common infrastructure and support branding and marketing.

Eligibility For The Scheme

- The scheme is applicable for an All India basis.
- The individuals eligible for the scheme are micro-enterprises who will get credit-linked subsidy @ 35% of the eligible project cost with a ceiling of Rs.10 lakh.

- Also, FPOs/SHGs/Cooperatives are eligible.

4. PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi)

The PM SVANidhi scheme, launched on 1st June 2020 aims to offer affordable working capital loans to street vendors across the country. The scheme falls under the Atma Nirbhar package handled by the Ministry of Housing and Urban Affairs.

Details And Objectives Of The Scheme

- The scheme's objective is the provision of working capital loans at affordable rates of interest to street vendors who have been affected due to the lockdown owing to the Coronavirus pandemic.
- The scheme is available via a mobile application too. The application offers the benefits of easy portability, e-KYC, easy application processing, and real-time monitoring.
- Vendors applying for the loan will be eligible for an interest subsidy offered at a 7% rate. The amount generated through the subsidy will be credited to the borrower's account every quarter.
- As per the latest announcements, the subsidies will be extended to the borrowers till 31 March 2022.
- The scheme also facilitates the provision of a cashback facility to the borrowers when they make transactions through digital media. These cashback benefits will be available using leading digital payment portals like NPCI, Paytm, Google Pay, PhonePe, Amazon Pay, etc.

Eligibility For The Scheme:

- This scheme is for borrowers who belong to the States and Union Territories which have rules and schemes under Street Vendors Act, 2014.

- All the vendors who have been engaged in vending business in urban areas across the country before 24 March 2020 will be eligible for the scheme. However, the vendors must possess a Certificate of Vending or ID card which has been issued by the Urban Local Bodies (ULBs).
- Vendors who have been left out or who started vending after the survey conducted can apply for a Letter of Recommendation issued by the ULB to be eligible.

This MSME government business loan scheme will help street vendors procure working capital for their business.

5. Stand Up India

This scheme was introduced to focus on strengthening the minorities, such as scheduled castes, scheduled tribes, and women.

Details And Objectives Of The Scheme

- The scheme provides financing for Scheduled Caste (SC), Scheduled Tribe (ST), and women entrepreneurs to realise their business dreams by providing bank loans ranging from Rs.10 lakh to Rs.1 crore. The loans are mostly for first-time ventures which may cover up to 75% of the total project cost and require the entrepreneur to commit to at least 10% of the value.
- The scheme is a composite loan that is inclusive of a term loan and working capital loan.
- The loan can be repaid over seven years. Also, the scheme offers a moratorium period of up to 18 months.

- For the disbursement of the loan, an amount of up to Rs 10 lakhs can be sanctioned via an overdraft and can be accessed by RuPay debit card and sums above Rs.10 lakh can be sanctioned in the form of a cash credit limit.

Those eligible for the scheme include SC/ST individuals and women entrepreneurs. The applicants must be aged above 18 years.

- For the loan scheme, only greenfield projects can apply.
- Also, non-individuals, such as existing firms and businesses, can also apply for the scheme. However, 51% of the shareholding and controlling stakes of the firm must be held by either SC/ST and/or women entrepreneurs.
- Additionally, the borrower should not have defaulted at any bank or financial institution to be eligible for the scheme.

Top 4 M.S.M.E Companies

← India's Top Performing MSMEs – Medium Manufacturing

RANK	COMPANY	INDUSTRY	SCORE
1 APP	Rotomag Motors And Controls Pvt Ltd Anand	Electronic & Electrical Goods	Rise 100 Revenue Growth 25 EBIDTA 10 PAT Growth 15
2 APP	Star Trace Pvt Ltd Chennai	Industrial Supplies	Rise 93.75 Revenue Growth 25 EBIDTA 10 PAT Growth 11.25
3 APP	Veekay Vikram & Co LLP Ahmedabad	Industrial Engineering	Rise 93.75 Revenue Growth 18.75 EBIDTA 10 PAT Growth 15
4 APP	Century Pharmaceuticals Ltd Vadodara	Pharmaceuticals	Rise 91.25 Revenue Growth 18.75 EBIDTA 7.5

← India's Top Performing MSMEs – Small Manufacturing

RANK	COMPANY	INDUSTRY	SCORE
1 APP	Oilmax Systems Pvt Ltd Pune	Industrial Engineering	Rise 93.75 Revenue Growth 18.75 EBIDTA 10 PAT Growth 15
2 APP	Minimac Systems Pvt Ltd Pune	Industrial Engineering	Rise 90 Revenue Growth 25 EBIDTA 10 PAT Growth 15
3 APP	Assam Carbon Products Ltd Guwahati	Oil, Gas & Coal	Rise 87.5 Revenue Growth 12.5 EBIDTA 10 PAT Growth 15
4 APP	Emkay Taps and Cutting Tools Ltd Nagpur	Machinery	Rise 86.5 Revenue Growth 12.5 EBIDTA 10

← India's Top Performing MSMEs – Small Services

RANK	COMPANY	INDUSTRY	SCORE
1 APP	Clairvoyant India Pvt Ltd Pune	Information Technology & Services	Rise 100
			Revenue Growth 25
			EBIDTA 10
			PAT Growth 15
1 APP	REConnect Energy Solutions Pvt Ltd Indore	Renewables & Environment	Rise 100
			Revenue Growth 25
			EBIDTA 10
			PAT Growth 15
3 APP	Asian Consulting Engineers Pvt Ltd New Delhi	Civil Engineering	Rise 100
			Revenue Growth 25
			EBIDTA 10
			PAT Growth 15
4 APP	Webkul Software Pvt Ltd New Delhi	Information Technology & Services	Rise 97.5
			Revenue Growth 25
			EBIDTA 10

← India's Top Performing MSMEs – Medium Services

RANK	COMPANY	INDUSTRY	SCORE
1 APP	To The New Pvt Ltd New Delhi	Information Technology & Services	Rise 95
			Revenue Growth 25
			EBIDTA 10
			PAT Growth 15
2 APP	Sequel Logistics Pvt Ltd Ahmedabad	Logistics & Supply Chain	Rise 88.75
			Revenue Growth 18.75
			EBIDTA 10
			PAT Growth 15
3 APP	Easy Source HR Solutions Pvt Ltd Delhi	Staffing & Recruiting	Rise 85
			Revenue Growth 25
			EBIDTA 2.5
			PAT Growth 7.5

CHAPTER 02.

**“Brief About Diversify Loan Products offered to M.S.M.E Sector By Banks &
N.B.F.C’s”**

MSME Loans also known as Micro, Small, and Medium Enterprise Loans are types of loans which you can avail if you own a business or is an entrepreneur. This type of loan provides you working capital which you can use for various purposes such as purchasing new inventory, buying new equipment, paying your staff their salary, or aid yourself in expanding your business. There are multiple lenders in India who offer MSME loans to their customers. The interest charged also differs from banks to banks.

The 5 Step Guide to Apply for an MSME Loan :

1. Know Your Business Requirements:

Before you commence your search for an adequate lender, you should consider your precise business needs, This will help you plan out your clear financial goals, business requirements for short term and long term, and why you are applying for an MSME Loan. Once you ascertain this, your loan proposal gets simplified.

2. Opt for the Right Lender:

Select a lender that offers your business the variation of terms and conditions when applying for an MSME Loan. Flexibility and simplicity of application should be the essential criteria when looking to opt for a loan.

3. Apply Online:

In today's digital space, the ideal way to opt for an MSME Loan is online. An essential answer to how to apply for MSME Loans in India online is the most straightforward process in less than 5 steps with minimal to no documentation and disbursement of funds within days. With effortless steps to follow and submit the loan at a click, applying for a loan has never been this

easy.

4. **Keep The Requisite Documentation Ready:**

Documentation plays an essential role in your loan application. Before you begin your loan application process, it is critical to know the bank's documentation process. Keep all the documents ready for an easy submission during the process.

5. **Sanction & Disbursement :**

Once your documents and details in your application form are scrutinised, verified and confirmed the lender sanctions your loan. During the sanction process, your repayment capacity is taken into account. Once all is approved, the funds are disbursed into your business bank account. You can utilise these funds for the stipulated end use of the MSME Loan.

MSME Loan Details

Interest Rate	7.65% p.a. onwards
Loan Amount	Rs.50,000 onwards
Loan Tenure	Up to 15 years
Processing Fee	Subject to the lender

MSME Loan Interest Rates by Top Banks in

2022

Bank Name	Interest rate
Allahabad Bank	At the discretion of the bank
Oriental Bank of Commerce	10.70% p.a. onwards
Andhra Bank	At the discretion of the bank
ICICI Bank	13% p.a. onwards
Central Bank of India	11.25% p.a. onwards
Indian Bank	9.75% p.a. onwards
Punjab and Sind Bank	9.95% p.a. onwards
Punjab National Bank	At the discretion of the bank
State Bank of India	7.65% p.a. onwards
Syndicate Bank	At the discretion of the bank
UCO Bank	8.85% p.a. onwards
Union Bank of India	At the discretion of the bank
United Bank of India	10.25% - 16.25% p.a.

Popular Banks offering MSME Loans in India

Listed below are some of the most popular banks in India which offer MSME loans:

SME Loans from SBI	
Interest Rate	9.65% p.a. onwards
Processing Fee	Up to 2% of the loan amount
Loan Amount	Depending on the scheme
Loan Repayment Tenure	Up to 120 months

SME Loans from HDFC Bank	
Interest Rate	15.75% p.a. onwards
Processing Fee	0.99% of the loan amount
Loan Amount	Up to Rs.50 lakh
Loan Repayment Tenure	Up to 48 months

ICICI SME Loans	
Interest Rate	13% p.a. onwards
Processing Fee	Depending on the scheme
Loan Amount	Up to Rs.2 crore
Loan Repayment Tenure	Depending on the scheme

Top NBFCs Offering MSME Loans Interest Rates

There are various Non-Banking Financial Companies (NBFCs) in India who offer MSME Loans to its customers at attractive interest rates. Given below are some the NBFCs from whom you can avail an MSME Loan.

Bank Name	Interest rate
LendingKart	At the discretion of the lender
Fullerton India	17% p.a. to 21% p.a.
Mahindra Finance	At the discretion of the lender
Muthoot Fincorp	At the discretion of the lender

Popular NBFCs offering MSME Loans in India

Listed below are some of the most popular NBFCs in India which offer MSME loans:

Fullerton Business Loan	
Interest Rate	17% p.a. to 21% p.a.
Processing Fee	Up to 6.5% of the loan amount
Loan Amount	Up to Rs.50 lakh
Loan Repayment Tenure	Depending on the scheme

Lendingkart Business Loan	
Interest Rate	At the discretion of the lender
Processing Fee	2% of the loan amount
Loan Amount	Rs.50,000 to Rs.1 crore
Loan Repayment Tenure	Up to 36 months

SBI SME Loans

State Bank of India (SBI) offers a vast array of loans to cater to the financial needs of the Small and Micro Enterprises (SME) sector. Individuals who are engaged in income-generating activities in the manufacturing, trading, and services sectors can avail loans ranging between Rs.5 lakh and Rs.500 crore. The interest rates charged on these loans range between

Small eBiz Loan – Features:

- The purpose of the loan is to extend financial support to the registered sellers of e-commerce portal involved in the sale of products through online portal of e-commerce firms.
- To be eligible for the loan, sellers should have a track record of 6 months selling on e-commerce portals of major e-commerce players.
- Borrowers must provide at least 35% collateral in the form of land, building, liquid securities, etc.
- The partners/promoters/directors of the unit can act as a guarantee for the borrowers.

Simplified Small Business Loan – Features:

- This is a general-purpose business loan that can be used for building-up the fixed and current assets of your business.
- All business units that are engaged in services, manufacturing, retail/wholesale trade, etc., are eligible to avail the loan. Self-employed and professionals can also avail this loan.

- A minimum collateral of 40% must be provided to borrow under this scheme.
- The existing business must be situated in the same area/locality for a minimum of 5 years to be eligible for the loan.

Stand Up India Scheme – Features:

- This loan can be used to fulfil all types of credit requirements for establishing Greenfield projects in the trading, manufacturing, and the services sector.
- This loan has been targeted at women entrepreneurs and for people under the Scheduled Caste/ Scheduled Tribe.
- Borrowers need not provide any collateral or third-party guarantee to avail this loan.
- The loan will be given to SC/ST and women entrepreneurs for setting up Greenfield projects only.

Pradhan Mantri Mudra Yojana – Features

- Loans under this scheme are categorised into 3 – Shishu, Kishor, and Tarun. Loans that are below Rs.50,000 fall under the Shishu scheme while loans over Rs.50,000 and up to Rs.5 lakh fall under the Kishor category. Loans over Rs.5 lakh and up to Rs.10 lakh fall under the Tarun category.
- Business enterprises in the manufacturing, trading, and services sector, including allied agricultural activities are the target group for this loan.
- Borrowers need not provide any collateral to avail this loan.
- The maximum repayment period for this loan is 60 months.

MSME Loans from HDFC Bank

HDFC Bank offers a range of loan schemes to different segments of its customer base. Being one of the popular private sector banks in India, HDFC Bank also offers special loan schemes for businesses that need funds for their working capital, capital expenditure, business acquisition and other needs. As of now, the bank offers five MSME loan schemes.

The MSME loans from HDFC Bank are:

1. Term Loans
2. Working Capital Finance
3. Quick Business Loans
4. Healthcare Business Finance
5. Trade Finance

HDFC Bank Term Loan

This loan scheme helps businesses in the Micro, Small and Medium Enterprises sector get financial assistance to meet their capital expenditure needs. All activities directly related to business expansion such as the purchase of fixed assets, expansion of units, setting up of new units, etc. are eligible for this loan.

Features of HDFC Bank Term Loan

Why this Loan?

- The HDFC Bank Term Loan schemes are perfect for businesses that require funds for business growth and expansion-related activities
- The bank also offers short-term loan schemes based on the needs of the borrower
- The loan must be repaid in Equated Monthly Instalments (EMIs) within 5 years

HDFC Bank Working Capital Loan

This HDFC MSME loan helps businesses finance their everyday operations such as for investment in current assets, purchase of raw materials, salary payments, power charges, etc.

Features of HDFC Bank Working Capital Loan

Why this Loan?

- The HDFC Bank Working Capital Loan can be taken for all projects and activities related to running the business on a day-to-day basis
- This a perfect loan scheme for businesses that need help during periods of reduced business activity or while waiting for receipt of payment after completing projects

- **HDFC Bank Quick Business Loan**

This HDFC MSME loan helps small businesses finance their everyday operations. The maximum loan amount sanctioned under this loan is Rs. 15 lakh.

- **Features of HDFC Bank Quick Business Loan**

- **Why this Loan?**

- HDFC Bank Quick Business Loan is a loan scheme designed for small business to meet their working capital and capital expenditure needs
- The maximum loan amount sanctioned under this loan is Rs. 15 lakh. The bank may offer Rs. 50 lakh at select locations subject to terms

- **HDFC Bank Trade Finance**

This loan helps SME businesses pay for activities related to their trade business right from sourcing, manufacturing or converting semi-finished into finished goods and services to importing raw materials and capital goods in local and 16 foreign currencies.

- **Features of HDFC Bank Trade Finance**

- **Why this Loan?**

- The HDFC Bank Trade Finance scheme is meant for you if you need funds for meeting your exports and imports obligations
- The bank also offers assistance to businesses in the form of Letter of Credit, Bank Guarantee, etc.

- **Bajaj Finserv MSME/ SME Loan**

Bajaj Finserv MSME/ SME Loan is a perfect answer to your business' financial needs. A business unit can apply for MSME/SME loan up to 30 Lakh for following:

- building & maintaining infrastructure
- working capital needs
- new plant & machinery
- overheads. To apply for this loan, the business unit must be operational for at least 3 years. The owner should be between 25 to 55 years of age.

CHAPTER 03.
RESEARCH STUDY

OVERVIEW OF THE TOPIC

The micro, small and medium enterprises (MSMEs) are the backbone of economic development in any country and more so in India, with its large population needing products and services for their livelihood.

In India, the enterprises have been classified broadly into two categories:

The first being manufacturing and secondly those engaged in providing/rendering of services.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or on equipment (in case of enterprises providing or rendering services).

Credit exposures to MSMEs

For MSMEs, obtaining and securing the right source of finance is a major challenge. Of the total credit exposure of Rs.101 lakh crores as of June'18, MSME credit accounts for Rs.22.8 lakh crores (and is 35% of the overall exposure to businesses). MSME NPA rates (Non-Performing Assets) have remained stable with Micro segment (exposure less than Rs.1 crore) moving from 8.9% (in Jun'17) to 8.7% (in Jun'18), and SME segment (Rs.1 crore to Rs.25 crore exposure) at 11.2% (Jun'17) to 11.5% (in Jun'18). In the same period the share of Public sector banks has fallen to 50.7% from 55.8%.

Simple ways to look at MSME Fund:

It is imperative for the lender to understand the needs of the MSMEs and the capability of them to repay the loans they take. MSME's do not have the wherewithal or the money to develop much needed finance vertical within their organization and end up hiring on a part time basis a small time chartered accountant to look into their accounts. While this suffices their need, however, when it comes to borrowing from large financial institutions, NBFCs or private equity investors fall short of creating the necessary documentation. For a lender this can perhaps be overcome by watching the MSME at work in their offices or unit, gauging if their operations are genuine and then helping them raise their financial reporting standards.

Rarely does the intention issue come up with the MSMEs. They are the first generation entrepreneurs from each of their families and do not leave any stone unturned to make their venture a success. Asking key questions and judging the mentality/attitude of the MSMEs and the passion will be a better indicator than looking for non-existent financial documents. The lifestyle of MSE promoter/partners/teams displays a lot about their future.

They serve much larger enterprises in their processes doing job works, parts manufacturing, process outsourcing etc. Strength of the principle plays a vital role. For example, a micro enterprise that manufactures nuts and bolts for Auto Manufacturer largely draws its past, present and future performance from the performance of the Auto Manufacturer as a company.

Another key aspect which almost every financier observes these days is their performance on loans/lines taken in the past. Key to this is Credit Information Bureau of India Ltd (CIBIL). A lot of information is derived out of the CIBIL report and plays a key role in assessing future performance on loans given to MSMEs.

Products offered for MSMEs : Banks and Financial Institutions offer a variety of products to the MSME borrower. These include fund based products like secured & unsecured term loans, overdrafts, cash credit facilities, bill discounting, pre & post shipment finance used for trade by exporters. Banks also offer non-fund based products like Bank Guarantee, Letter of Credit & Remittance services

- **Credit Assessment**

Banks and Financial Institutions use customised credit assessment techniques based on the segment of the MSME borrower. For funding the Micro segment, where formal documentation like ITR or audited financials are generally not available, banks rely on using personal discussion based techniques to assess potential income and eligibility of the borrower. Bank officers may verify the bill books of the borrowers to assess the turnover, margin and profit ..

and then arrive at an eligibility basis income and expenses of the borrower. In case borrowers have active bank accounts then the eligibility can also be on the basis of the average bank balance maintained in the accounts. Typically unsecured lending may be restricted to lower loan values unless it is guaranteed by government schemes like CGTMSE. In case customers want to avail a higher loan amount, then they need to offer collateral like property, fixed deposits etc.

For funding the the Small & Medium segment, banks rely on credit assessment techniques which are a combination of financial assessment and personal discussion. Financial assessment includes assessing the cash flows of the business using the financial statements and also whether this is getting reflected in the bank accounts of the customer. It also includes assessment of the credit history of the borrower which is available on credit bureaus.

PROBLEM DEFINATION

In spite of being an integral part of the sustainable development of the country, there exist enormous threats, problems and challenges for the survival and growth of MSME. The challenges are Financial Challenges, Strategic Challenges, Operational Challenges, Supply Chain Management Challenges, Administrative issues, Threats in Internationalization, etc.

All the above challenges create an obstacle for organizational growth and development. Lack of available resources and poor management results in the development of risk and weakens the firm. Weak MSMEs can cripple the whole economy beyond repair; therefore, it is of utmost importance for the sector to identify these challenges and manage them properly.

A highly influential challenge for MSMEs is finance and its availability. This challenge is a major obstacle to the survival of this sector.

- **Major Problems Faced By M.S.M.E Sector While Applying for Loan.**

1. Inadequate Financial Literacy

Despite displaying an incredible entrepreneurial grit, many MSME business owners don't possess the financial literacy to make the right business decisions. Often, this can lead to imbalanced working capital ratios and low credit scores. Moreover, a failure in choosing the right lender leads to higher interest rates on small business loans. What's more, they aren't up-to-date with the latest financial technologies that many NBFCs and online lenders use. Therefore, both the public and private sectors must take steps towards making MSMEs looking for business loans financially literate.

2. Lack of Modern Financing Solutions

Another problem with MSME loans is the impact of antiquated regulatory practices that require small businesses to acquire licenses, insurance and certifications, etc. Due to such regulations, MSMEs are

prevented from sourcing financing on time. However, many small businesses don't use online business transactions due to a lack of trust and unfamiliarity with technology.

3. Trust Deficit

Banks usually shy away from extending SME loans since they typically involve small amounts. Moreover, banks believe MSMEs don't have repayment capacity and, thus, apply stricter regulations on these businesses. Also, since MSMEs are likely to have no credit rating, they pose as high-risk borrowers, further impacting their business loan eligibility.

4. Cumbersome Disbursement

Traditional lending options often require business owners to meet strict eligibility criteria along with furnishing a variety of documents. What's more, the loan processing and subsequent crediting of funds for such small business loans is a long and tedious process. When MSMEs are in urgent need of SME loans to meet working capital needs, this financing route is not viable. This issue is why many are now making the shift to alternative lending institutions such as NBFCs that are quick with loan disbursement and have relaxed eligibility criteria.

5. Collateral Requirement

Often, strict collateral requirements come in the way of small businesses availing MSME loans. Not many small companies own assets such as property to hypothecate.

OBJECTIVES OF THE STUDY

- To analysis of the diversify loan schemes offered by different banks to M.S.M.E sector
- To know the interest rates charged by different banks on their loan products offered to M.S.M.E sector.
- To analysis the loan repayment status of M.S.M.E sector.
- To assess standardized process required to M.S.M.E sector while applying for loan.
- To analysis of loan eligibility criteria for M.S.M.E sector.
- To assess the government initiatives for introducing the loan schemes for M.S.M.E.

HYPOTHESIS OF THE STUDY

H0: There is no elastic process & mechanism of loan offerings to M.S.M.E Sector

H1: M.S.M.E will give better returns to Indian G.D.P, if loan procedure of banks & offerings will be more elastic.

H0: There is no relationship between Government's initiatives & loan offerings of banks to M.S.M.E sector.

H2 : There is a relationship between Interest rates of banks & government initiatives for M.S.M.E Sector.

SCOPE OF STYDY

- This study is based on the to analysis of loan availability & its offering status to M.S.M.E sector.
- This study have wider scope as it is analysis the offrings of diversify loan products to M.S.M.E sector by different banks & N.B.F.C's.
- This study analysed interest rates of different loan products offered by banks & N.B.F.C's.
- The study assessed the credit requirement of M.S.M.E Sector.
- This study also assessed the required procedure for M.S.M.E sector while applying for a loan.
- This study also dicussed about the benefits of instant loan availability.

THEORETICAL PERSPECTIVE

Applying for a loan at a physical location, means that you are approaching just one lender. When you apply for a loan in person, you may need to book an appointment. You could be waiting in a queue. You may have to travel for a while, to reach the lender's physical premises.

Remember that business loans can be used for setting up new enterprise or stepping up (expansion, diversification, modernization, technology upgradation). These can be for the following:

- Acquisition of factory, land and construction of building spaces,
- Purchase of Plant and Machinery including lab equipment, testing equipment, furniture, electric fittings, etc
- Meeting working capital requirements, like raw materials, stock-in-progress, finished goods, etc
- Trade Finance (Bill discounting) – for paying the creditors, while awaiting payment from debtors
- Launch of new product range, expansion of business, warehousing need, credit for marketing and advertising purpose
- Additional monitory assistance for any eligible purpose.

It's good that you have made up mind for applying business loan online. You will have choices of wider range of lenders (Banks / NBFCs / SFBs/ FinTechs) who can access your application and according to your geographic location, the nearest lender may approach you or a fintech from another city may also touch base you.

This means, you can apply online 24/7. You can apply even in your spare time at leisure. If you have your budget / documents / information ready, you will find the application forms are easy to fill in.

Finding Difficult in Filling Application

Need not to worry the portal will help finding the correct person / right agency to fill the form on your behalf. All you need is to Click here and fill in basic personal details with request for agency / person (small amount of fees may be charged by the agency / person). This facility is called as HAVE (Handholding in a virtual Environment).

Subsidies and incentives are provided by the Government of India

Various Subsidies and incentives are provided by the Government of India to promote a vibrant business. For any entrepreneur / promoter setting up a new startup or having an established business, it is important to know about these subsidies and incentives which can be availed while incurring capital expenditure to reduce capital cost, lessen interest burden and to achieve break-even faster.

No collateral security?

Government of India and SIDBI have set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). Also, National Credit Guarantee Trustee Company (NCGTC) has been set up by the Government of India to act as the Trustee to operate the Credit Guarantee Funds for Educational Loans, Skill Developments Loans and any other funds to be set up from time to time. You can choose to avail the benefits of these Guarantees based on your loan needs through the Lenders.

Udyog Aadhaar (UA)

MSMEs are required to obtain Udyog Aadhaar Memorandum (UAM) which is for running units. It is not required for upcoming units. For registering yourself as a MSME under UAM, you can visit the following web link: **Click here for Udyog Aadhaar Memorandum (UAM) Registration**

Facing Liquidity Problems

MSMEs face constraints in obtaining adequate finance, particularly in terms of their ability to convert their trade receivables into liquid funds. The problem of timely realization of receivables persists despite the fact that the MSMED Act, 2006 mandates payments to MSMEs be made within 45 days of acceptance of goods and services.

TReDS is an online electronic institutional mechanism for facilitating the financing of trade receivables of MSMEs through multiple financiers. The TReDS Platform will enable discounting of invoices/bills of

exchange of MSME Sellers against large Corporates including Govt. Departments and PSUs, through an auction mechanism, to ensure prompt realization of trade receivables at competitive market rates.

Receivables Exchange of India Ltd (RXIL), is a joint venture promoted by Small Industries Development Bank of India (SIDBI) and National Stock Exchange of India Limited (NSE). RXIL operates the Trade Receivables Discounting System (TReDS) Platform.

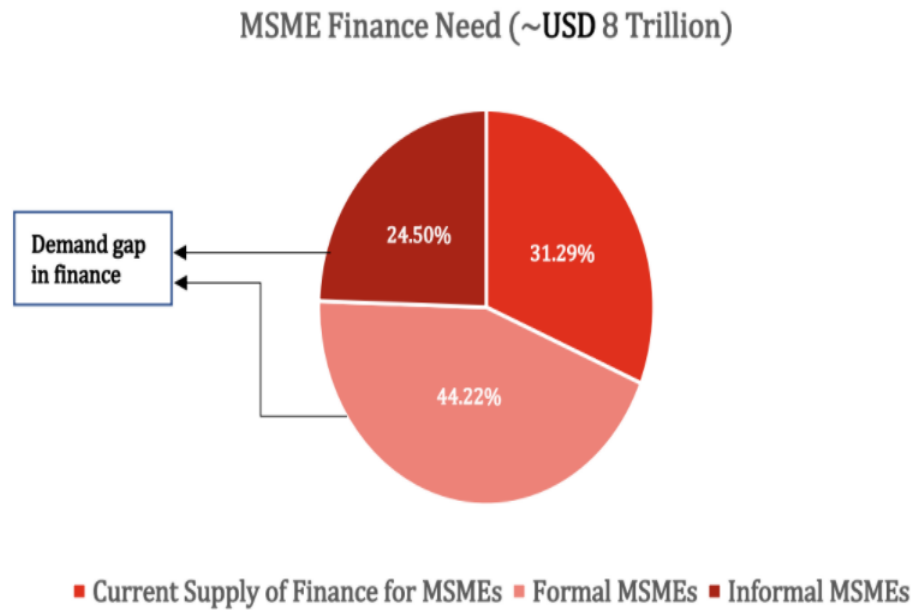
MSMEs benefit due to timely payments in a transparent mechanism at very competitive pricing. Assured of timely cash flows ensures better quality of products and processes in the long run for MSME sector.

MSME loans emerging as one of the preferred lending options for entrepreneurs.



Micro, Small & Medium Enterprises (MSMEs) contribute to almost a third of India's total GDP and employ a large section of the population. MSMEs are therefore vital to the country's economic growth. And with new technology opening up more avenues in the MSME sector, entrepreneurs today have a lot of opportunities to look forward to.

As the pandemic-hit economy moves back to normalcy, a key factor that can help MSMEs leverage these opportunities is the availability of financing. Small and medium enterprises need funds to buy equipment, refill inventory, expand operations, increase working capital and more. To help those in the MSME space get access to funds, lenders are offering MSME loans.



Here are some reasons that make an MSME loan a popular financing solution for entrepreneurs today:

1. An ideal solution to meet big expenditures: An MSME loan is a financing option designed to help entrepreneurs to meet their expenses in a hassle-free manner. Lenders today offer high-value loans that come with easy-to-meet eligibility criteria. You are not required to pledge any security and you can use the money for any business expense.

For instance, consider the MSME loan offered by Bajaj Finserv. The non-banking finance company (NBFC) offers collateral-free MSME loans up to Rs.45 lakh at an attractive rate of interest. Since it is an unsecured loan, you can avail funds without pledging any asset as security.

1. It comes with a short processing cycle: Timing is a crucial factor, especially during an unforeseen event where you may need funds immediately. An MSME loan is a handy solution as it comes with quick approval and requires only a handful of documents.

MSME sector's bad loan ratio

The bad loan ratio in the micro, small and medium enterprises (MSMEs) segment stand at 12.5 per cent as of January 2020, a report by TransUnion CIBIL and SIDBI showed. While the non-performing assets (NPAs) ratio in micro segment was 9 per cent, the small and medium segments showed higher proportion of loans going sour at 11 per cent.

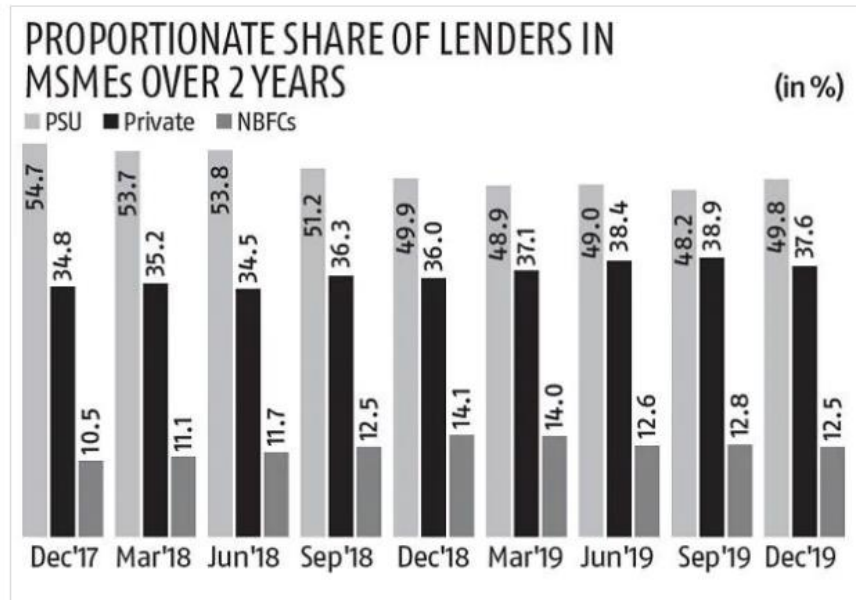
Among lenders, the private sector banks exhibited NPA levels in the range of 3-5 per cent in the MSME segment whereas, NPA level of public sector banks has increased from 18 per cent in December 2018 to 19 per cent in December 2019.

COMMERCIAL CREDIT EXPOSURE ON BALANCE SHEET (in ₹trillion)

	Very small	Micro1	Micro2	Small	Medium	Large	Overall
Dec'17	0.75	1.85	1.26	7.67	4.32	37.16	53.01
Dec'18	0.89	2.2	1.5	8.91	4.79	43.35	61.63
Dec'19	0.93	2.15	1.44	8.74	4.68	46.1	64.04
Jan'20	0.88	2.17	1.46	8.72	4.51	46.72	64.45

Very small: <₹10 lakh, Micro1: ₹ 10-50 lakh, Micro2: ₹ 50 lakh to 1 cr, Small: ₹ 1-15 crore
Medium: ₹15-50 cr, Large: >₹50 cr

NBFCs have also witnessed an increase in NPA rates. The total on-balance sheet commercial lending exposure in India stood at Rs 64.45 trillion as of January 2020 of which the MSME segment holds Rs 17.75 trillion credit exposure. Within the MSME segment, Micro segment borrowers (aggregate credit exposure < Rs 1 crore) observed robust fresh credit disbursements worth Rs 92,262 crore in 2019.



Interestingly, public sector banks have regained some of the market share they lost to the shadow lenders giving credit to this segment. As of December 2019, public sector bank's market share stood at 49.8 per cent in overall MSME lending book, with highest market share in micro segment at 59 per cent.

CHAPTER 4
RESEARCH METHODOLOGY

RESEARCH TECHNIQUE:

A researcher is using Qualitative research Technique for the given research.

TYPES OF RESEARCH METHOD

DESCRIPTIVE VS. ANALYTICAL

Descriptive research includes survey and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. In social science and business research we quite often use the term Ex post facto research for descriptive research studies. Example, frequency of shopping, preferences of people, or similar data. Ex post facto studies also include attempts by researchers to discover causes even when they cannot control the variable. The methods of research utilized in descriptive research are survey methods of all kinds, including comparative and correlation methods

RESEARCH METHOD

A researcher is using descriptive research method for the research.

SAMPLE DESIGN

A sample design is made up of two elements. Sampling method refers to the rules and procedure by which some elements of the population are included in the sample. Some common sampling methods are simple random sampling, stratified sampling.

TYPES OF SAMPLING METHODS

Sample designs are basically divided into two types

PROBABILITY SAMPLING

NON-PROBABILITY SAMPLING

[1] PROBABILITY SAMPLING:

The method in which all units of the universe is given equal chance of being selected in the sample, is known as probability sampling. There is an assurance of the result in terms lies of probability that are obtained through probability or random sampling.

TYPES OF PROBABILITY SAMPLING:

Simple Random Sampling Stratified Random Sampling Systematic Sampling Cluster Sampling
Multi-stage Sampling Area Sampling

[2] NON-PROBABILITY SAMPLING:

Non-probability sampling is that type of sampling procedure which does not have any ground for estimating the probability that whether or not each item in the population has been included in the sample is known as non-probability sampling.

TYPES OF NON-PROBABILITY SAMPLING:

Convenience Sampling Purposive

Sampling Panel Sampling Snowball

SAMPLING METHOD

Researcher is using probability sampling for these research which is based on the fact that every member of a population has a known & equal chance of being selected.

SAMPLE TECHNIQUES

A Researcher is using simple cluster sampling technique for the research. A sample technique is the name or other identification of the specific process by which the entities of the sample have been selected.

SAMPLE SIZE: -

The Sample Size chosen for this study is 100 Respondent.

SAMPLE CLUSTER: -

- 60 entrepreneurs belonging to micro, small, medium, enterprise with the age Group of Akola District.
- 30 Bank executives of different Banks & N.B.F.C's situated in Nagpur & Akola.
- 8 loan inspectors & 2 Bank managers of SBI & ICICI Branch Akola.

SAMPLE AREA: - Online as well as On-Site.

CHAPTER 5
DATA COLLECTION

DATA COLLECTION

1. PRIMARY DATA

2. SECONDARY DATA

A research plan was followed for gathering primary data, secondary data or both.

- **Sources of primary data:** The major source of primary data for this research is questionnaire to the different entrepreneurs belonging to the different region & parts. On the basis of there answers we interpret the data and analysed it.
- **Sources of secondary data:** We also collected secondary data from various websites & books for this research. Such as website of M.S.M.E ministry, website various banks and N.B.F.C's offering the loans to M.S.M.E sector such as S.B.I, Bajaj Finserv, Bank of India, ICICI Bank , H.D.F.C Bank etc.
We also referred some other websites like Moneycontrol.com, Paisabazar.com etc.
We also referred books for this research and the good content of it further.

CHAPTER 6

DATA ANALYSIS AND INTERPRETATION

Data Analysis:

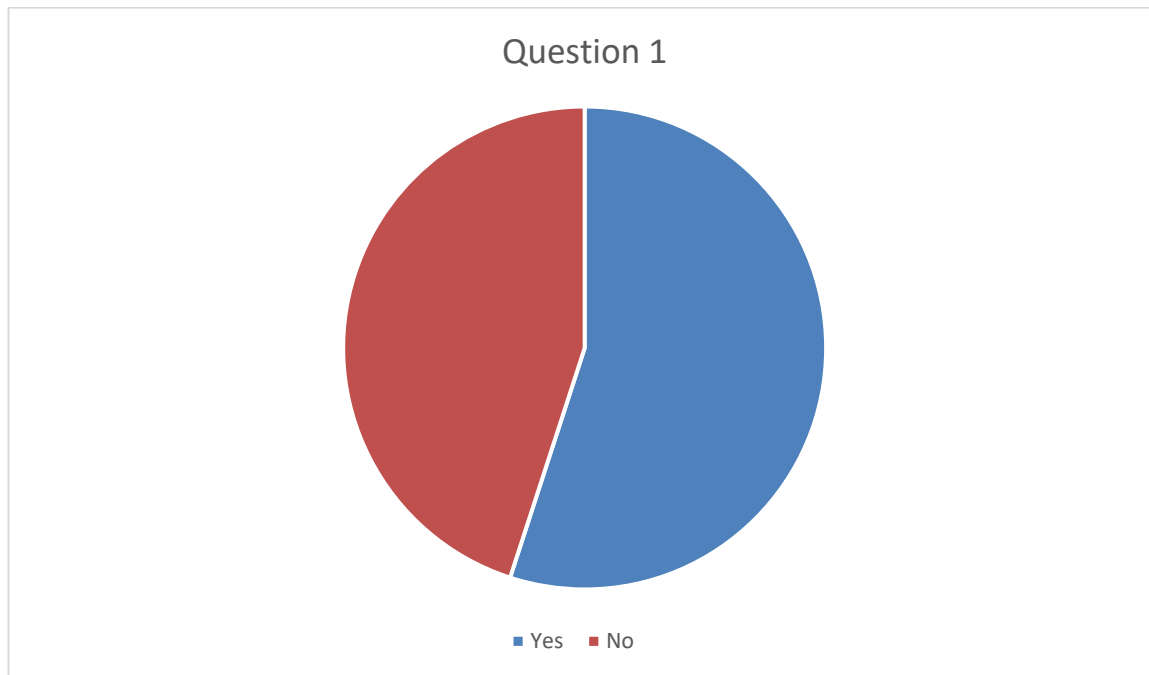
In this research we analysed the data with respect to the three different questionnaires given below in the annexures. We asked the questions to the three categories that is Entrepreneurs, Bank managers & Loan inspectors. The answer to the questions are given below:

- **Set 1: Questionnaire for Entrepreneurs belonging to Micro. Small. Medium. Enterprise.**

In the first questionnaire we asked questions to the 60 entrepreneurs belonging to the micro, small, medium enterprise. Our first question was

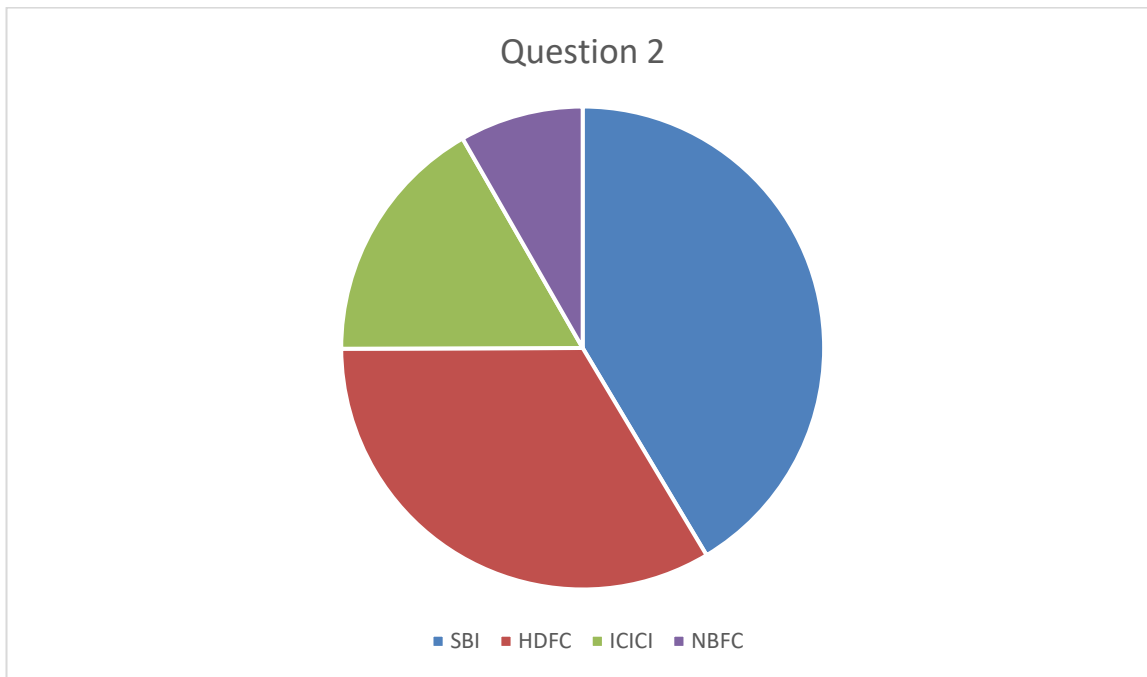
1. Is the bank providing good loan rendering system?

60 out of 33 entrepreneurs answered “Yes” to the question which is 55% of the total entrepreneurs. Meanwhile the rest of the 27 were said “No” which 45% of the total entrepreneurs. It shows that bank is providing good loan rendering system but still 45% NOES raised the questions on banking loan mechanism. Mentioned in given below.



2. Which bank is providing good loan schemes to M.S.M.E sector?

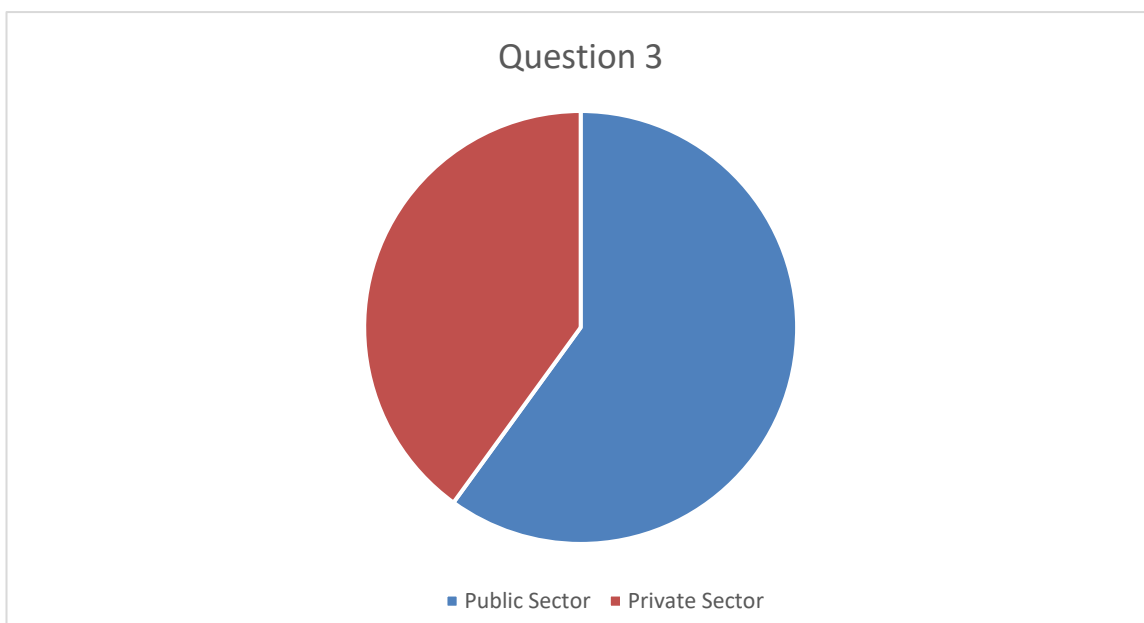
60 out of 25 entrepreneurs preferably choose the State Bank Of India, 20 entrepreneurs choose H.D.F.C, 10 choose ICICI & remaining 5 choose N.B.F.C's. It means 42% choose S.B.I, 34% choose H.D.F.C, 17% choose ICICI & 8.4% choose N.B.F.C. The above data shows that S.B.I is offering good loan schemes to M.S.M.E sector, Meanwhile H.D.F.C is closely following S.B.I & ICICI & N.B.F.C is some how to the extent is back. As mentioned in the given diagram.



3. Which sector banks implementing the government loan schemes for M.S.M.E sector more efficiently?

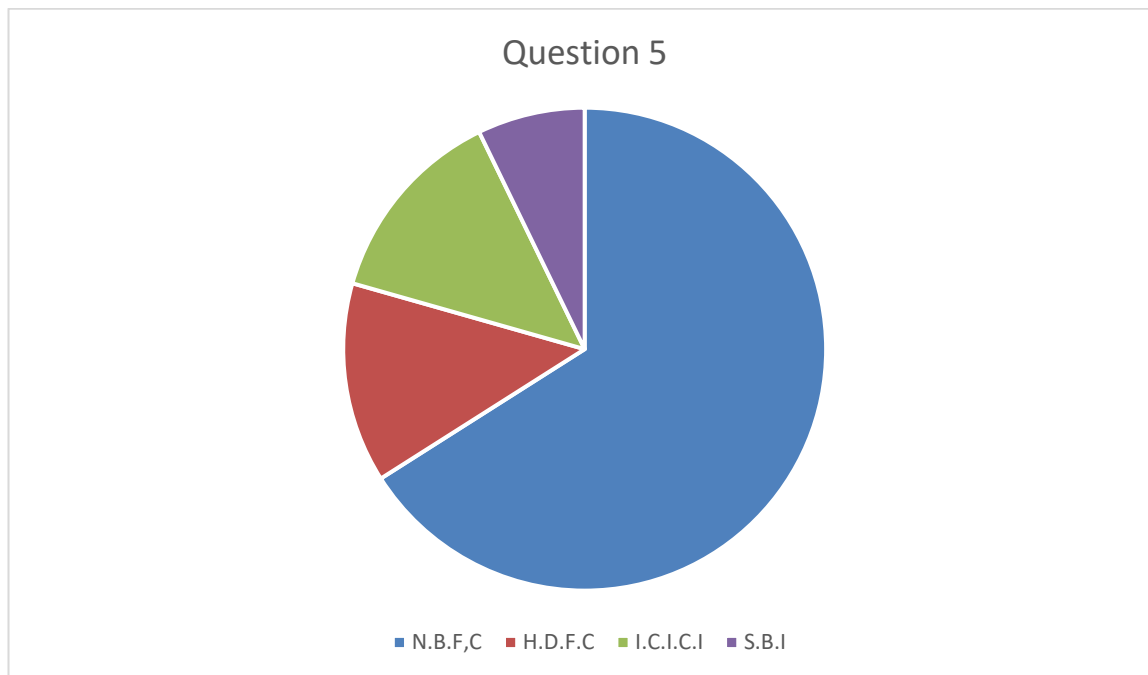
We have asked this question to the entire 60 entrepreneurs out of which 36 entrepreneurs said that public sector banks implementing the government's schemes for the M.S.M.E sector more efficiently as compared to private sector banks which is 60% of total digit. Yes there are 24 entrepreneurs who said in favour of the private banks which is 40%.

But majority of them gave answer in favour of public sector banks.



5. Which banks are charging highest rate of interest on M.S.M.E sector?

The last question in this set 1 of questionnaire & 60 entrepreneurs now unitely criticized the private sector banks & N.B.F.C's for charging high rate of interest on the loans provided or offered by them. Out of 60, 40 entrepreneurs said that N.B.F.C's are charging highest rate of interest on loans to M.S.M.E sector & 8's go for both H.D.F.C & I.C.I.C.I then remaining ones were opted for the S.B.I. When we draw this graphically then it looks as given in below diagram in percentage.

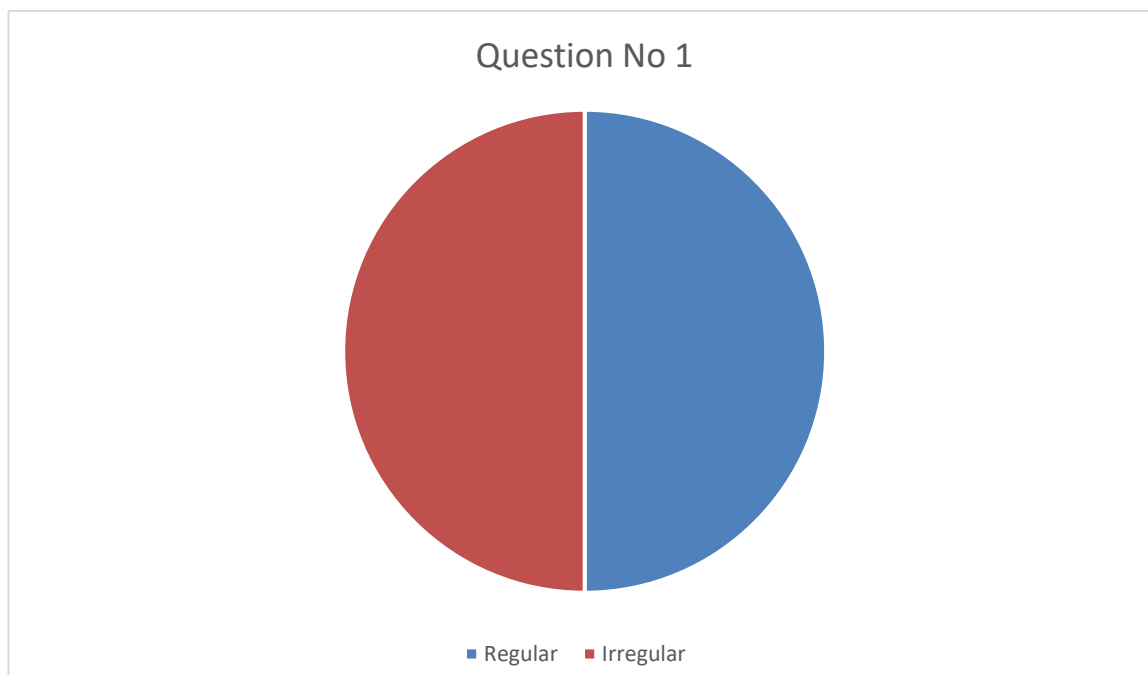


- **Set 2: Questionnaire for loan inspector & bank managers.**

In the set 2 of our questionnaire we asked questions to 8 loan inspectors & 2 bank managers of different banks & N.B.F.C's as given below.

1. What is loan repayment status of M.S.M.E sector?

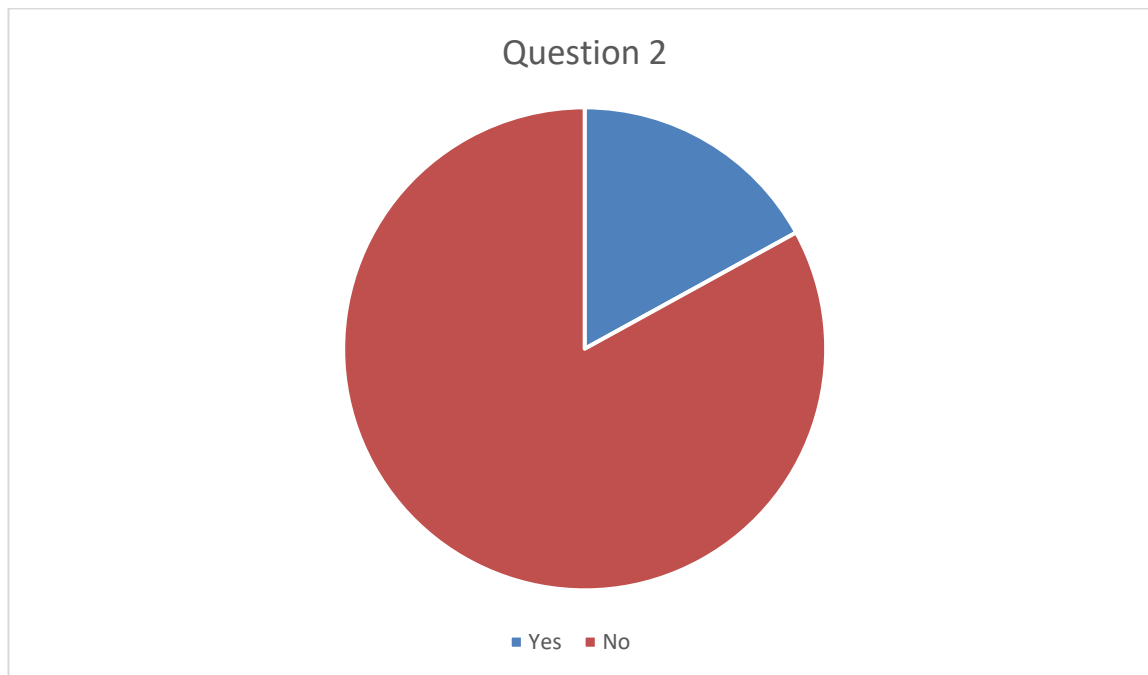
Most of the loan inspectors & bank managers said that before offering the loan or granting the loan to particular entrepreneur belonging to M.S.M.E sector, we analyzed the each & every aspect of his business. Such as his profits, operations, financials, business model etc. There after we granting the loan but still some may default the payment, but we cant say there is irregularity in loan repayment of M.S.M.E because defaulters are every where but in contest of M.S.M.E sector every 10 of 50 is defaulter in M.S.M.E it means 20% defaulter rate is there for M.S.M.E sector which quite low as compare to other. Hence bank executives are looking quite confused to this question, so 4 out of 8 & 2 out of 1 said that repayment of loan amount is regular & remaining 4 & 2 said there is irregularity.



2.Is CIBIL criteria for M.S.M.E sector is constant?

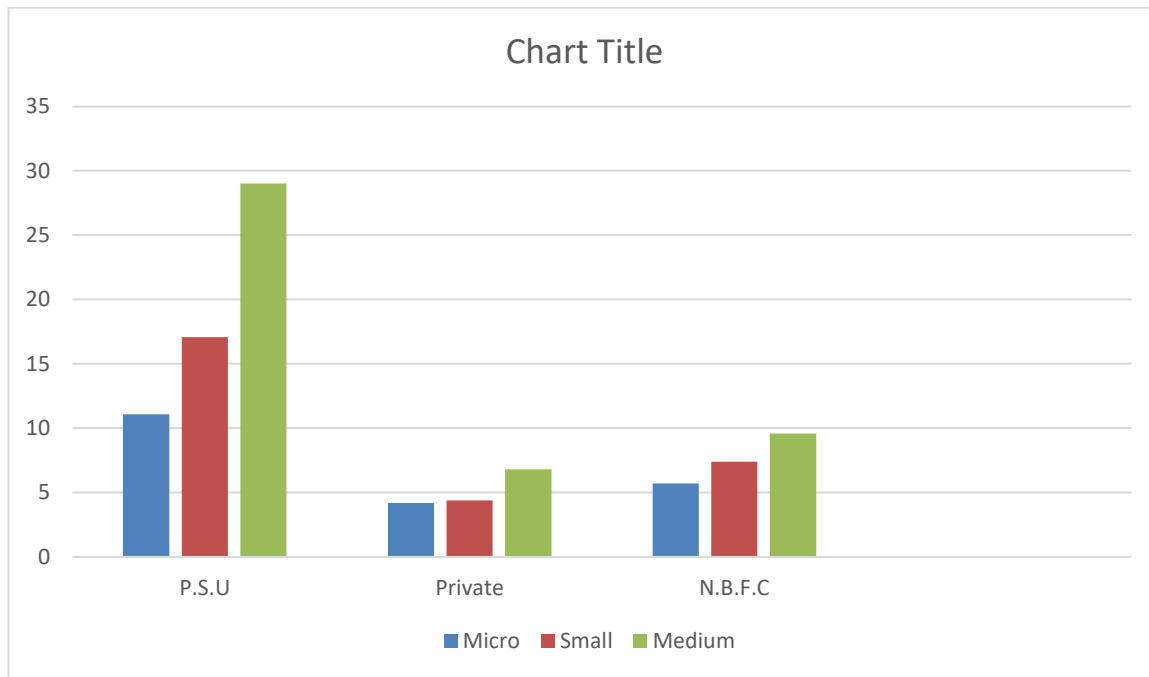
The another tricky question that we have been asked to loan inspectors & bank managers that what about the CIBIL score. It is constant or keep changing by entity to entity. Then 6

loan inspector out of 8 said that “No” it is not constant. It keep changing entity to entity while 2 of them said that Yes there banks is set a “constant” criteria for entire M.S.M.E sector & on the basis of that they rendering the loans. So if we put this numbers in percentage then it looks as given in diagram.



3.What is the share of M.S.M.E sector in N.P.A’s of Banks?

Non-Performing Assets & entrepreneurs this relation is some how direct. As the more the loan reimbursement more will be the Non Performing Assets. As pandemic hits hard to M.S.M.E sector, Pandemic is some how responsible for rising N.P.A’s in M.S.M.E sector. Most of the loan inspectors & managers said there is an higher N.P.A’s in M.S.M.E sector. The numbers are shown in the below diagram.



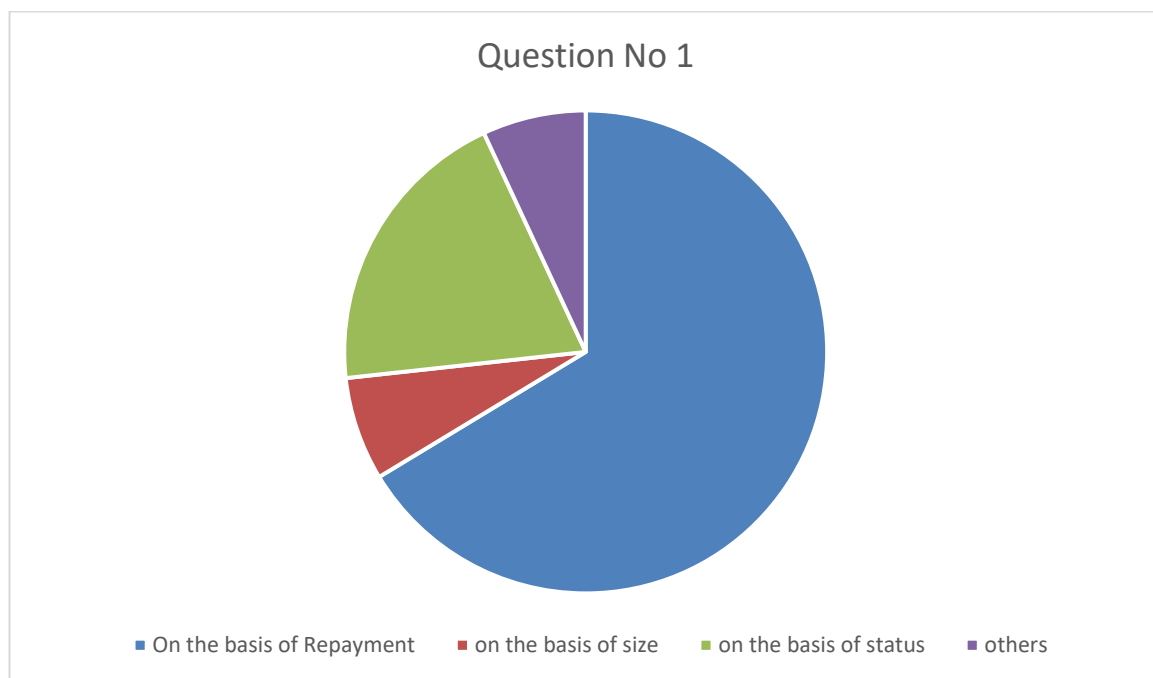
The above given diagram have shown that N.P.A's of P.S.U banks, Private sector banks & N.B.F.C's is rising but the Non-performing Assets of public sector banks is rising. For P.S.U banks the N.P.A's of micro enterprise is 11.7%, in small it is 17.7%, & it is highest in the medium enterprises 29.2% . Similarly N.P.A's are there for private sector banks as well as N.B.F.C's but not as much as compare to P.S.U banks because of there in elastic loan disbursement mechanism.

- **Set 3: Questionnaire for Bank Executives.**

This is the last set of questionnaire of this research in this set we have asked questions to the 30 executives of different banks & N.B.F.C's . As given below.

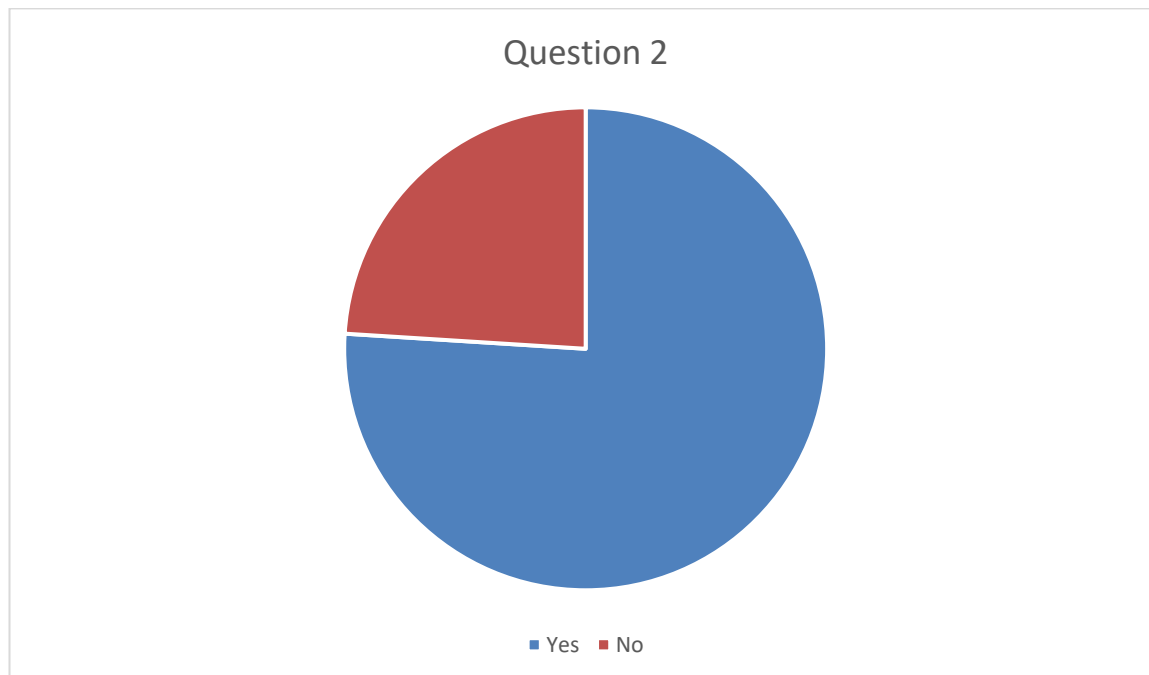
1. How do banks classify their loan schemes?

20 out of 30 executives have answered on the basis of previous loan repayment they offer the loan facilities to the bank. 6 executives also answered that we scrutinized the status of the particular enterprise before offering the loan & remaining 2 have opted for the size of business & 2 for others. The numbers are mentioned in the diagram.



2. Is small enterprises educated about government schemes?

The majority of executives have answered “NO” 23 out of 30 executives have opted “NO” that entrepreneurs belongs to M.S.M.E is not educated about government schemes. But this digits looks contradictory as because 7 still saying “YES”. When we this numbers put into diagram it looks as given below.



- **Interpretation:**

What is N.P.A?

NPA full form is Non-performing Assets. NPA is nothing but the loans that are being given by the Indian banks and other operating financial institutions whose interests as well as the principal amounts have been in a state of overdue status for a fairly long time. When we talk about a long time, it is 90 days or more than 90 days. Similar to any other business, the banks also should be profitable, but NPA eats up a large portion of the banks' margin.

NPA or Non-Performing Assets is not a desirable phenomenon in India's banking system. This is like cancer that is destroying the overall banking system in India.

The RBI has defined NPA in banking more specifically. As per the RBI Master Circular that is released on NPA, the ones listed below are counted under NPA.

Installment/interest of a principal remains overdue for a continuous period of more than 90 days in respect of a term loan.

- An account is 'out of order' with respect to a Cash Credit/Overdraft (CC/OD).
- A bill remaining overdue for more than a period of 90 days.
- The instalment of a principal or interest would remain overdue for two crop seasons in the case of crops that grow for a short duration.
- The instalment of interest or principal that is overdue for a crop season in case of long-duration crops.
- The amount of liquidity that is outstanding for a continuous period of 90 days.
- The different types of NPA are:
 - **Substandard NPA:** That particular NPA that remains overdue for less than or equal to 12 months.
 - **Doubtful NPA:** That NPA remains in the category of Substandard NPA for equal to or less than 12 months.
 - **Loss Assets:** The Loss Assets occur when the NPA has been recognized as a loss incurred by the bank or financial institution as per the inspection done by the Reserve Bank of India (RBI).

What is CIBIL?

Credit Information Bureau (India) Limited (CIBIL) is a credit bureau or credit information company, engaged in maintaining the records of all the credit-related activities of companies as well as individuals, including credit cards and loans.

he registered member banks and several other financial institutions periodically submit their information to CIBIL. Based on the information and records provided by these institutions, CIBIL issues Credit Information Report (CIR) and credit score to applicants and financial institutions.

CIBIL is a credit information database and does partake in any kind of lending decisions. It provides data to the banks and other lenders to quickly and efficiently filter the loan applications which they receive in the course of their business.

CIBIL Score is a 3-digit numeric summary of your credit history, rating and report, and ranges from 300 to 900. The closer your score is to 900, the better your credit rating is.

- **What does credit history and credit report mean in CIBIL?**

When you want a loan you must ask yourself what is my CIBIL score? And will I be credit-worthy? Your bank will check your credit-worthiness through your credit history and make a credit report.

A credit history is a record of a borrower's repayment of debts. A credit report is a record of the borrower's credit history from a number of sources, including banks, credit card companies, collection agencies, and governments. A borrower's credit score is the result of a mathematical algorithm applied to credit information to predict how credit worthy you are.

A CIBIL credit score takes time to build up and usually it takes between 18 and 36 months or more of credit usage to obtain a satisfactory credit score.

- **Why does the CIBIL credit score matter?**

The CIBIL score plays a critical role in the loan application process. When someone approaches a bank or a financial institution for a loan, the lender first checks the applicant's CIBIL score and report. If the CIBIL score is low, the bank may not even consider the application further. If the CIBIL score is high, the lender will look into the application and consider other details to determine if the applicant is credit-worthy.

The CIBIL score works as a first impression for the lender, the higher the score, the better are your chances of the loan being reviewed and approved. The decision to lend is solely dependent on the bank and CIBIL does not in any manner decide if the loan/credit card should be sanctioned or not.

Typically, a score of 700 is considered good.

7. CONCLUSION

- M.S.M.E Sector is facing major financial crunch after the pandemic as production & manufacturing activities was closed due to the lockdown.
- M.S.M.E Sector is facing the major challenges while applying for the loan.
- Micro ,Small ,Medium Enterprises is performing good & also contributing in good amount, As the major contributor to Indian G.D.P.
- Loan repayment of M.S.M.E Sector is also an major issue. As we seen in our study, the N.P.A's are rising as there is a problem with the repayment of loan amount.
- Banks are offering diversify & different types of loan products to M.S.M.E Sector. Due which the financial challenges of M.S.M.E sector is reducing at some how.

8. FINDINGS &
Recommendation

- Government is availing good schemes for M.S.M.E sector as well as good financial support through various loan schemes. Due which major economical problems of M.S.M.E is getting ease.
- Banks should reduce the rate of interest on loan products, due to which various micro, small , medium enterprises not get financial exposure.
- Repayment status of M.S.M.E sector is also poor, M.S.M.E's have to work on this issue to create a credibility between the lenders.
- There is rigid process for M.S.M.E while applying for a loan. Bank can work on this & should introduce single window clearance for loan schemes.
- Banks are offering good financial products to M.S.M.E which really reduces the intensity of financial problems which is currently M.S.M.E sector.
- Government should have to introduce some more loan schemes as a economical backing to M.S.M.E sector. Government can introduce subsidiaries for M.S.M.E sector as Financial backing to M.S.M.E sector
- M.S.M.E's contribution to economy of India is improving & contribution to G.D.P is also good. M.S.M.E can further also improve it.
- M.S.M.E have to create a credibility between the banking & non-banking financial institutions by improving loan repayment status.

- Entrepreneurs are moving in this sector because of good credit & loan schemes.
- M.S.M.E should improve their productivity & operations by introducing new operations & productivity techniques.
- M.S.M.E should avoid diversification of loan funds into other activities & should have to use it in production activity rather than in other activities.
- Government should also run various awareness programs which will create awareness about the various government schemes for M.S.M.E sector between the entrepreneurs.
- Non-banking financial institutions must have to introduce more loan products at lower rate of interest.

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CHAPTER 10

APPENDICES

Annexures

• **Set 1**

• **Questionnaire for the 60 entrepreneurs from M.S.M.E sector.**

1. Is bank providing good loan rendering system?

a) Yes b) No

2. Which bank is providing good loan schemes to M.S.M.E sector?

a) I.C.I.C.I c) S.B.I
b) H.D.F.C d) N.B.F.C

3. Which sector banks implementing the government loan schemes on M.S.M.E sector more efficiently?

a) Private Sector b) Public Sector

4. Which bank offering loan at reasonable rate of interest?

a) HDFC c) SBI
b) ICICI d) NBFC

5. Which bank charging highest rate of interest on M.S.M.E sector?

a) HDFC c) SBI
b) ICICI d) NBFC

• **Set 2**

• **Questionnaire for bank executives & N.B.F.C**

1. How do banks classified there loan schemes?

- a)on basis of size c)on the basis of repayment
b)on the basis of status d)other

2.Is small entrepreneurs educated about government schemes?

- a)Yes b) No

• **Set 3**

• **Questionnaire for loan inspector & bank managers.**

1.What is loan repayment status of M.S.M.E sector?

- a) Regular b) Irregular

2. Is CIBIL Criteria for M.S.M.E sector is constant?

- a) Yes b)No

3.What is share of M.S.M.E sector in N.P.A's of Banks?

- a)Higher b)Lower

THANKING YOU:

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BBA 3RD YEAR:

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