

PROJECT REPORT
ON

**“AN ANALYSIS OF VARIOUS SME LOANS OFFERED
BY THE BANK OF MAHARASHTRA”**

Submitted to:

BBA Department Autonomous,

G.S. College of Commerce & Economics, Nagpur.

Affiliated To:

Rashtrasant Tukadoji Maharaj Nagpur University

In partial fulfillment for the award of the degree of

Bachelor of Business Administration

Submitted by:

SATYAM SAHU

Under the Guidance of:

Dr. ANIRUDDHA AKARTE

G.S. College Of Commerce & Economics, Nagpur

Academic Year 2021-22



G.S. College Of Commerce & Economics , Nagpur

Academic Year 2021 - 2022



CERTIFICATE

This is to certify that “SATYAM SAHU” has submitted the project report titled “AN ANALYSIS OF VARIOUS SME LOANS OFFERED BY BANK OF MAHARASHTRA”, towards partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination. This 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 ingeniously completed his/her project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Dr. ANIRUDDHA AKARTE

(Guide)

Dr. AFSAR SHEIKH

(Co-ordinator, BBA Dept)

Place: NAGPUR

Date:

G.S. College Of Commerce & Economics, Nagpur
Academic Year 2021 – 22



DECLARATION

I here-by declare that the project with title “ **AN ANALYSIS OF VARIOUS SME LOANS OFFERED BY BANK OF MAHARASHTRA** ” has been completed by me in partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

SATYAM SAHU

Place: NAGPUR

Date:

G.S. College Of Commerce & Economics , Nagpur

Academic Year 2021 -22



ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to **Dr.N.Y.KHANDAIT**, Principal, G.S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide **Dr.ANIRUDDHA AKARTE** for her guideline throughout the project. I tender my sincere regards to Co-ordinator, **Dr.SONALI GADEKAR** for giving me outstanding guidance, enthusiastic suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the Non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful.

Place: NAGPUR

SATYAM SAHU

Date:

INDEX

CHAPTER	PARTICULARS	PAGE NO
1	INTRODUCTION OF SME	6
2	COMPANY PROFILE	11
3	RESEARCH METHODOLOGY	19
	DATA COLLECTION	23
	OBJECTIVE	24
	LIMITATION	26
4	HYPOTHESIS	33
	SCOPE	30
5	DATA ANALYSIS AND INTERPRETATION	31
6	CONCLUSIONS	42
7	SUGGESTIONS	44
8	BIBLIOGRAPHY	46
9	QUESTIONNAIRES	48

**“AN ANALYSIS OF VARIOUS SME LOANS OFFERED BY
BANK OF MAHARAHSTRA”**

INTRODUCTION

INTRODUCTION TO SMEs

Small and Medium Enterprises (SMEs) have played a significant role world over in the economic development of various countries. Over a period of time, it has been proved that SMEs are dynamic, innovative and most importantly, the employer of first resort to millions of people in the country. The sector is a breeding ground for entrepreneurship. The importance of SME sector is well-recognized world over owing to its significant contribution in achieving various socio-economic objectives, such as employment generation, contribution to national output and exports, fostering new entrepreneurship and to provide depth to the industrial base of the economy.

Small and medium-sized enterprises (SMEs) are the backbone of all economies and are a key source of economic growth, dynamism and flexibility in advanced industrialized countries, as well as in emerging and developing economies. SMEs constitute the dominant form of business organization, accounting for over 95% and up to 99% of enterprises depending on the country. They are responsible for between 60-70% net job creations in Developing countries. Small businesses are particularly important for bringing innovative products or techniques to the market. Microsoft may be a software giant today, but it started off in typical SME fashion, as a dream developed by a young student with the help of family and friends. Only when Bill Gates and his colleagues had a saleable product were they able to take it to the marketplace and look for investment from more traditional

sources. SMEs are vital for economic growth and development in both industrialized and developing countries, by playing a key role in creating new jobs. Financing is necessary to help them set up and expand their operations, develop new products, and invest in new staff or production facilities. Many small businesses start out as an idea from one or two people, who invest their own money and probably turn to family and friends for financial help in return for a share in the business. But if they are successful, there comes a time for all developing SMEs when they need new investment to expand or innovate further. That is where they often run into problems, because they find it much harder than larger businesses to obtain financing from banks, capital markets or other suppliers of credit.

Common Characteristics of SMEs

(a) Born out of individual initiatives & skills

SME startups tend to evolve along a single entrepreneur or a small group of entrepreneurs; in many cases; leveraging on a skill set. There are other SMEs being set up purely as a means of earning livelihood. These includes many trading and retail establishments while most countries continue SMEs to manufacturing services, others adopt a broader definition and include retailing as well.

(b) Greater operational flexibility

The direct involvement of owner(s), coupled with flat hierarchical structures and less number of people ensure that there is greater operational flexibility. Decision making such as changes in price mix or product mix in response to market conditions is faster.

(c) Low cost of production

SMEs have lower overheads. This translates to lower cost of production, least upto limited volumes.

(d) High propensity to adopt technology

Traditionally SMEs have shown a propensity of being able to adopt and internalize the technology being used by them.

(e) High capacity to innovate export:

SMEs skill in innovation, improvisation and reverse engineering are legendary. By being able to meet niche requirements, they are also able to capture export markets where volumes are not huge.

(f) High employment orientation:

SMEs are usually the prime drives of jobs, in some cases creating up to 80%. Jobs SMEs tend to be labor intensive per se and are able to generate more jobs for every unit of investment, compared to their bigger counterparts.

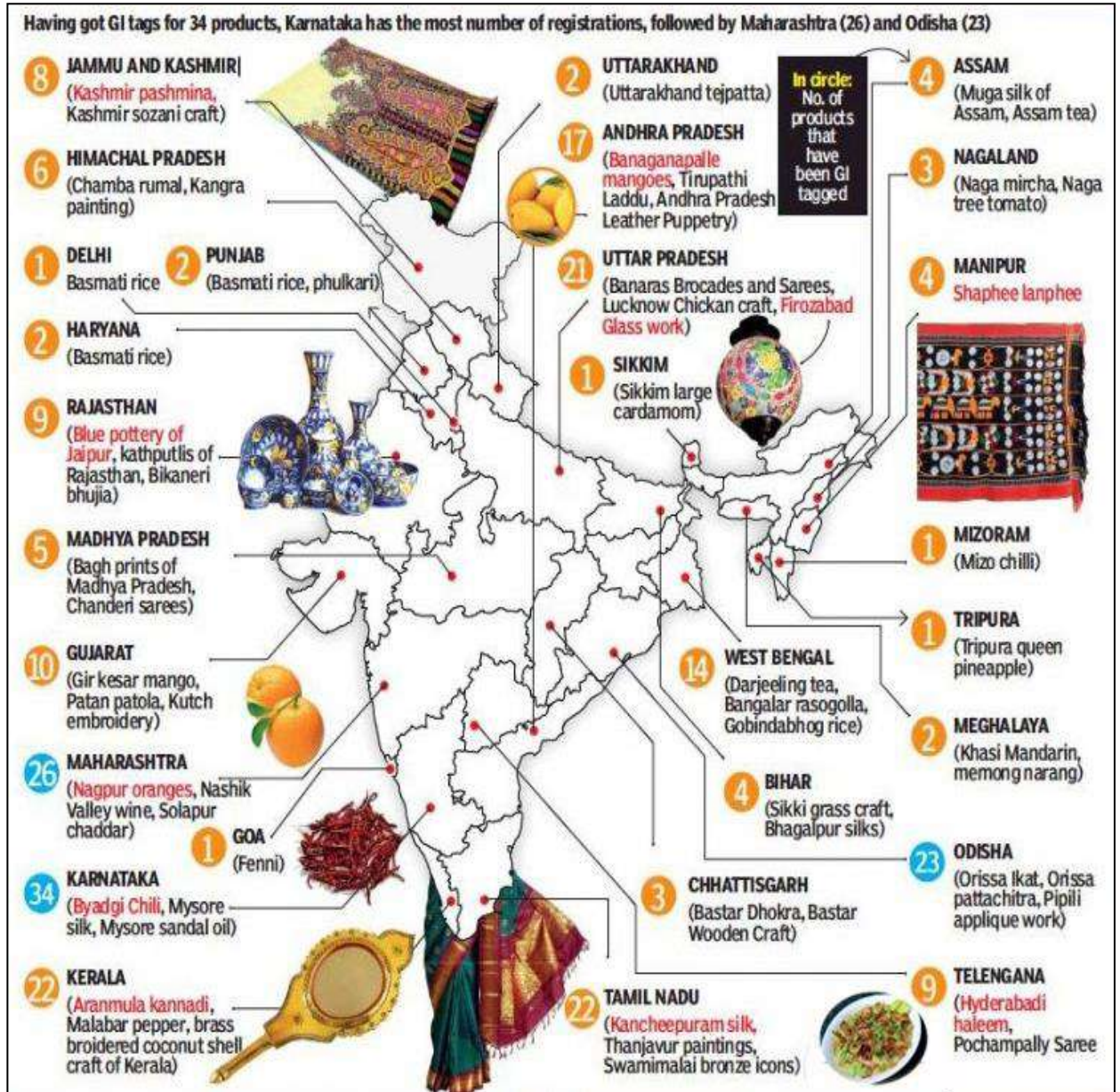
(g) Reduction of regional imbalances

Unlike large industries where divisibility of operations is more difficult, SMEs enjoy the flexibility of location. Thus, any country, SMEs can be found spread virtually right across, even through some specific locations emerge as 'clusters'.

SMEs in India

India has a vibrant SME sector that plays an important role in sustaining economic growth, increasing trade, generating employment and creating new entrepreneurship in India. In keeping in view its importance, the promotion and development of SMEs has been an important plank in our policy for industrial development and a well-structured programme of support has been pursued in successive five-year plans for. SMEs in India have recorded a sustained growth during last five decades. The number of SMEs in India is estimated to be around **13 million** while the estimated employment provided by this sector is over **31 million**. The SME sector accounts for about **45 per cent** of the manufacturing output and over **40 per cent** of the national exports of the country.

SMEs IN INDIA



COMPANY PROFILE OF BOM

COMPANY PROFILE OF BOM



Bank of Maharashtra is an Indian bank based in the city of Pune. The bank was established in the year 1935 with an initial authorized capital worth Rs. 10.00 Lacs, although it became operational in the early phase of the next year. The bank got nationalized by the Government of India in the year 1969. With a total number of 1421 branches located all over India as of April 2009, the bank claims to have the largest number of branches within the state of Maharashtra, among all the Public Sector banks.

Commonly known as a common man's bank, Bank of Maharashtra adopts a philosophy of "Technology with personal touch", and follows its motto stating "One Family, One Bank, Bank of Maharashtra".

Bank of Maharashtra is a public sector bank in Maharashtra, which offers personal banking, cash management, retail loans and other financial services. Their services include deposits, savings/current bank account, vehicle loans, personal loans, retail trade finance, global banking, lending to priority sector and small scale sector, foreign exchange and export finance, corporate loans and equipment loans.

The Bank has one subsidiary, namely The Maharashtra Executor & Trustee Company Pvt Ltd, which undertakes management of public/ private trusts and administration/ execution of Will. They also sponsored three Regional Rural Banks, namely Aurangabad Jalna Gramin Bank, Thane Gramin Bank and Marathwada Gramin Bank with head office at Aurangabad, Thane and Nanded respectively.

Bank of Maharashtra was incorporated on September 16, 1935 and started their business on February 8, 1936. In April 10, 1946, The Maharashtra Executor & Trustee Company Pvt Ltd was incorporated as a wholly owned subsidiary of the Bank. In July 1969, Bank of Maharashtra was nationalized along with 13 other banks. After nationalization, the Bank expanded rapidly.

In the year 1998, the Bank attained the autonomous status, which helped the Bank in providing more and more services with simplified procedures without intervention of Government. In the year 2000, they incorporated Magic eMoney Ltd (MeM) a joint venture of Bank of Maharashtra, Dena Bank, NextStep Infotech P. Ltd. (NSIPL) and Magic Software Enterprises (MSE) Israel continued to undertake departmental projects.

During the year 2003-04, the Bank came with their initial public offer of 10 crore shares of Rs 10/- each at a premium of Rs 13/- amounting to Rs 230 crore. The issue received overwhelming response and was over subscribed by more than

11 times. Also, they opened 34 new branches and upgraded 10 extension counters into full fledged branches during the year.

During the year 2004-05, the Bank opened 14 new branches, 2 extension counters and up-graded 1 extension counter into a full-fledged branch. Also, they opened Holiday Home at Shirdi in addition to 5 existing Holiday Homes at different places. The Bank acquired a stake of 9% in Global Trade Finance Pvt Ltd, a non banking finance company promoted by the EXIM Bank.

In January 2006, the Bank signed a MoU with Life Insurance Corporation of India, for distribution of their insurance products. Also, they launched a scheme of money transfer service for Non Resident Indians and other foreign account customers, using the Western Union Money Transfer Services provided by Western Union Financial Services Inc. For this regard, the Bank has entered into agreement with Weizmann Forex Ltd, the primary agent of Western Union Financial Services Inc. During the year 2006-07, the Bank opened 29 new branches and upgraded 16 extension counters into full fledged branches. They expanded the ATM Network from 145 ATMs to 302 ATMs during the year and entered into collaboration with VISA for issuance of Debit cards. The Bank commissioned their own Data Center at Pune and Disaster Recovery (DR) site at Hyderabad. Also, they established six IT Labs at Delhi, Kolkata, Chennai, Hyderabad, Bangalore and Lucknow in order to take care of the massive training requirement for the CBS project.

The Bank launched new schemes like Mahalaxmi Term Deposit Scheme (3 years term deposit scheme), Mahadeep Scheme (Financing of Solar Water Heating System), Insta Remit Scheme (RTGS scheme for instant fund transfer), etc during the year. In May 2006, they entered into tie up with United Insurance Company Ltd for distribution of their non-life insurance products.

During the year 2007-08, the Bank also launched two group insurance schemes, namely Maha Suraksha Deposit Scheme for all types of deposit account holders and Maha Grih Suraksha for home loan borrowers. Also, they entered into distribution agreement with 15 select Asset Management Companies during the year. They opened 20 new branches upgraded 10 extension counters into full fledged branches. They also opened 3 Currency Chests during the year.

In March 2008, the two Regional Rural Banks, namely Aurangabad Jalna Gramin Bank and Thane Gramin Bank were amalgamated into one unit in the name of Maharashtra Godavari Gramin Bank with head office at Aurangabad and having area of operation in nine districts of Maharashtra. As at March 31, 2008, the total branch network comprised of 1,375 branches and three extensions counters spread over 22 states and two union territories.

FACILITIES

All the branches of Bank of Maharashtra have been fully computerized, with Depository services and Demat facilities being offered at 131 branches as of April 2009. The bank aims at increasing its ATM network from 345 to 500 soon, apart from planning to install Biometric ATMs at some selected branches. Apart from it, introduction of Phone Banking, Internet Banking and Mobile Banking is also on the cards.

OTHER HIGHLIGHTS

Apart from providing regular banking services to the customers, Bank of Maharashtra has established two Joint Ventures to fulfill its other commitments towards the general public and society. These Joint Ventures are M-SETI and Mahabank Info Centre. Mahabank Self-Employment Training Institute (M-SETI) is an effort initiated by Mahabank Agricultural Research & Rural Development Fund (MARDEF), a trust run by Bank of Maharashtra receiving help from National Bank for Rural Development (NABARD). The institute runs various self-employment oriented training courses for the rural unemployed youth from the districts of Pune, Kolhapur, Satara, Sangli, Nashik, Ahmednagar, Jalgaon, Dhule and Nandurbar.

Board Of Directors	
Name	Designation
Mr.R Thamodharan	Director
Mrs.Vandita Kaul	Director
Mr.M K Verma	Director
Mr.Hemant Tamta	Executive Director
Mr.A B Vijayakumar	Executive Director
Mr.A S Rajeev	Managing Director & CEO
Key Executives	
Name	Designation
Mr.P R Khatawkar	CFO & General Manager
Mr.V P Srivastava	Chief Financial Officer
Mr.Laxminarayan Mr.Vivek Ghate	Chief Vigilance Officer
Mr.Chandrakant Bhagwat Rath	Co. Secretary & Compl. Officer
Mr.S K Hanamshet	General Manager
Mr.M A Kabra	General Manager
Mr.Sanjay Rudra	General Manager
Mr.Vivek Ghate	General Manager
Mr.Unnam R Rao	General Manager
Mr.M G Mahabaleshwarkar	General Manager
Mr.R S Bansal	General Manager
Mr.P R Datar	General Manager
Mr.V D Kolhatkar	General Manager
Mr.V N Kamble	General Manager

BANK OF MAHARASHTRA SWOT ANALYSIS

SWOT analysis of Bank Of Maharashtra analyses the brand by its strengths, weaknesses, opportunities & threats. In Bank Of Maharashtra SWOT Analysis, the strengths and weaknesses are the internal factors whereas opportunities and threats are the external factors.

SWOT Analysis is a proven management framework which enables a brand like Bank Of Maharashtra to benchmark its business & performance as compared to the competitors. Bank Of Maharashtra is one of the leading brands in the banking & financial services sector.



The table below lists the Bank Of Maharashtra SWOT (Strengths, Weaknesses, Opportunities, Threats), top Bank Of Maharashtra competitors and includes its target market, segmentation, positioning & Unique Selling Proposition (USP).

BANK OF MAHARASHTRA STRENGTH

1. Public sector undertaking. Thus, has govt. backing
2. In this area for more than 75 years. Thus, expertise in this field.
3. Very high investments in SLR securities
4. High connectivity to common man in some parts of the country
5. Over 1500 branches in 23 states and 2 union territories

BANK OF MAHARASHTRA WEAKNESSES

Here are the weaknesses in the Bank Of Maharashtra SWOT

Analysis:

- 1.Risk averse
- 2.Low profitability
- 3.Increasing NPAs

BANK OF MAHARASHTRA OPPORTUNITIES

Following are the Opportunities in Bank Of Maharashtra

SWOT Analysis:

- 1.Rural Areas
- 2.Increasing Non-SLR investments to increase profits
- 3.Making their credit cards profitable

BANK OF MAHARASHTRA THREATS

The threats in the SWOT Analysis of Bank Of Maharashtra are as mentioned:

- 1.Competitors
- 2.New bank licenses
- 3.Dis-investments by the government

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problem. The Research Methodology includes the various methods and techniques for conducting a Research. "Marketing Research is the systematic design, collection, analysis and reporting of data and finding relevant solution to a specific marketing situation or problem". D. Slesinger and M. Stephenson in the encyclopedia of Social Sciences define Research as "the manipulation of things, concepts or symbols for the purpose of generalizing to extend, correct or verify knowledge, whether that knowledge aids in construction of theory or in the practice of an art".

Research is, thus, an original contribution to the existing stock of knowledge making for its advancement. The purpose of Research is to discover answers to the Questions through the application of scientific procedures. Our project has a specified framework for collecting data in an effective manner. Such framework is called "**Research Design**". The research process followed by us consists of following steps:

1 RESEARCH DESIGN

This research was descriptive and conclusion oriented research.

- **CONCLUSION ORIENTED RESEARCH:** -Research designed to assist the decision maker in the situation. In other words it is a research when we give our own views about the research.
- **DESCRIPTIVE RESEARCH:** -A type of conclusive research, which has as its major objective the description of something-usually market characteristics or functions. In other words descriptive research is a research where in researcher has no control over variable. It just presents the picture, which has already studied.

2 SAMPLING DESIGN

Sampling can be defined as the section of some part of an aggregate or totality on the basis of which judgment or an inference about aggregate or totality is made. The sampling design helps in decision making in the following areas: -

2.1 UNIVERSE OF THE STUDY-The universe comprises of two parts as theoretical universe and accessible universe

- **THEORETICAL UNIVERSE-** It includes all the SMEs throughout the universe.
- **ACCESSIBLE UNIVERSE-** It includes the SMEs in Nagpur city.

2.2 SAMPLE FRAME-Sample frame was Small and Medium enterprises all over India.

2.3 SAMPLE UNIT- Sampling unit is the basic unit containing the elements of the universe to be sampled. The sampling unit of the present study was SMEs located in Nagpur city in Maharashtra.

2.4 SAMPLE SIZE- Sample size is the number of elements to be included in a study. Keeping in mind all the constraints 100 respondents were selected.

2.5 SAMPLING TECHNIQUES- The sampling techniques used were convenience technique and simple random sampling technique.

3 DATA COLLECTION AND ANALYSIS

3.1 DATA COLLECTION: Information has been collected from both Primary and Secondary sources of data collection.

1) PRIMARY DATA:

The information which is collected for the first time is known as primary data. This is original in character. There can be number of sources from where the primary data can be collected.

The sources which I have used are as follows:-

INTERVIEW METHOD

An interview is an conversation between two or more people (interviewer and interviewee) where question are asked by the interviewer to obtain information from the interviewee. certain aspect should I keep in mind while doing my project.

2) SECONDARY DATA-

Secondary data are those, which have already been collected by someone else, which already had been passed through the statistical process. Secondary data had been collected through websites and newspapers.

B) TOOLS OF ANALYSIS AND PRESENTATION:

To analyze the data obtained with the help of questionnaire, following tools were used:

TOOLS OF ANALYSIS: -

- **SUMMATED SCORE:** This tool was used for the analysis of questions based on Likert scale.
- **WEIGHTED AVERAGE SCORE:** This tool was used to calculate highest and lowest rank.

TOOLS OF PRESENTATION: -

- **TABLES:** This tool was used to present the data in tabular form.

BAR GRAPHS AND PIE CHARTS: These tools were used for analysis of data.

DATA COLLECTION

DATA COLLECTION

- **Primary Data:-**

The structure of Primary data is formulated on the basis of research objectives. Objectives set the guidelines and directions of research planning. Formulating the objectives offers the best feasible means of solution

- Telephone Interview:
- Questionnaires
- Survey Work
- Interview & discussions on various aspects of Fee Base Income with Branch Manager, Bank Officers & concerned people.

- **Secondary Data :-**

Since the study is based on past so data has been completely collected through secondary sources of data only

- Study of various Journals, Notes & Books on Fee Base services/Income.
- Study through web-sites.
- Collected data from records of the organization through various books of accounts.

OBJECTIVES OF THE STUDY

OBJECTIVES OF THE STUDY

Objectives are the guiding lights of a study. The present study was undertaken to achieve the following objectives: -

- To know about the various SME financing schemes of Bank of Maharashtra and their usage.
- To know the effectiveness of various SME financing schemes of Bank of Maharashtra.
- To know the problems faced by SMEs in getting credit from Bank of Maharashtra.
- To know the benefits of SME financing schemes of the Bank of Maharashtra.
- To check the satisfaction level of Small and Medium enterprises regarding SME financing schemes of the Bank of Maharashtra.

LIMITATIONS OF THE STUDY

LIMITATIONS OF THE STUDY

The Limitation of this study was limited to Nagpur city only.

Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned here under so that the findings of the study may be understood in a proper perspective.

The limitations of the study are:

- The research was carried out in a short period. Therefore the sample size and the parameters were selected accordingly so as to finish the work within the given time frame.
- The information given by the respondents might be biased as some of them might not be interested to give correct information.
- Some of the respondents could not answer the questions due to lack of knowledge.
- Some of the respondents of the survey were unwilling to share information.

HYPOTHESIS

HYPOTHESIS

Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. In fact, many experiments are carried out with the deliberate objects of testing hypothesis. Decision-makers often face situations wherein they are interested in testing hypotheses on the basis of available information and then take decisions on the basis of such testing.

HYPOTHESIS STATEMENTS:-

The study of various small and medium loans offer by Bank of Maharashtra have been adopted and proved to be very successfully.

SCOPE

The researches that were conducted in past by the various professionals are in foreign context and not in Indian context. Study relating to SMEs, their problems and source of financing has been done but regarding the SME financing schemes of public sector banks has not been done. This gap has been identified and it has led to the present research to be undertaken. So, the need was felt to cover the areas neglected. Thus, here a study on SME financing schemes of public sector banks was taken care of.

- The project will be applicable to the small and medium enterprises in Nagpur City.
- The schemes discussed in this project will help the investors to understand the financial details of the schemes. The study covers a period of three years. There are several reasons for selecting this period.
- During the past 3 years the Bank has gone global as a result the company has witnessed many economic and political changes.
- Company has undergone rapid changes in the past 3 years due to many policy decisions relating to capital markets, banking sector & licensing policy.
- The study is mainly related to all the loans provided by BOI bank only.

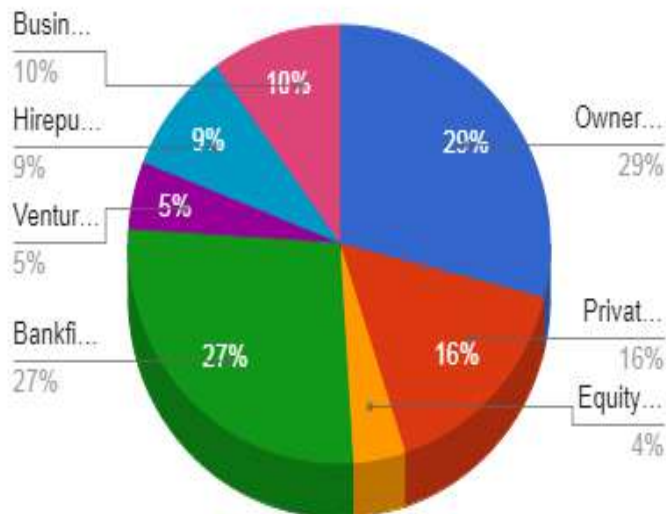
DATA ANALYSIS & INTERPRETATION

DATA ANALYSIS & INTERPRETATION

1. TO KNOW THE SOURCES OF FINANCE USED BY SMES

Sources of Finance	%Age Of Respondents
Owners Financing	29
Private financial institutions	16
Equity finance	4
Bank financing	27
Venture capital	5
Hire purchase and leasing	9
Business angel financing	10
Total	100

TO KNOW THE SOURCES OF FINANCE USED BY SMES



ANALYSIS AND INTERPRETATION:-

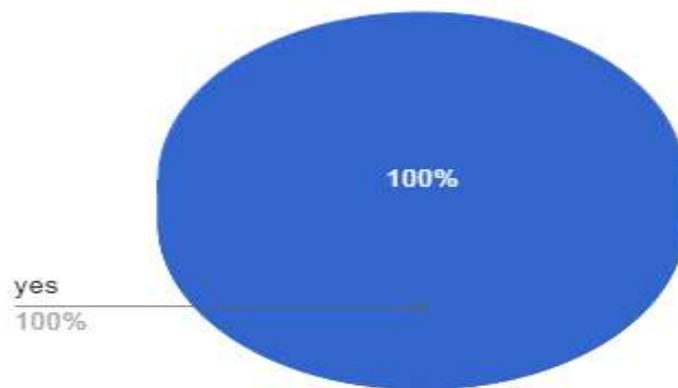
The number of respondents had increased from 100, as this is a multiple-choice question. From the survey it was found that respondents use multiple sources for financing their enterprises. The figure shows that 29% respondents rely on their own funds for financing SMEs. 28% respondents use bank financing and 16% take credit from private financial institutions. Equity finance and venture capital are the least used.

2. HAVE YOU EVER RAISED FINANCE FROM PUBLIC SECTOR BANKS?

TO KNOW WHETHER SMES RAISE FINANCE FROM PUBLIC SECTOR BANKS

Raised Finance	%Age Of Respondents
Yes	100
No	0
Total	100

TO KNOW WHETHER SMES RAISE FINANCE FROM PUBLIC SECTOR BANKS



ANALYSIS AND INTERPRETATION:-

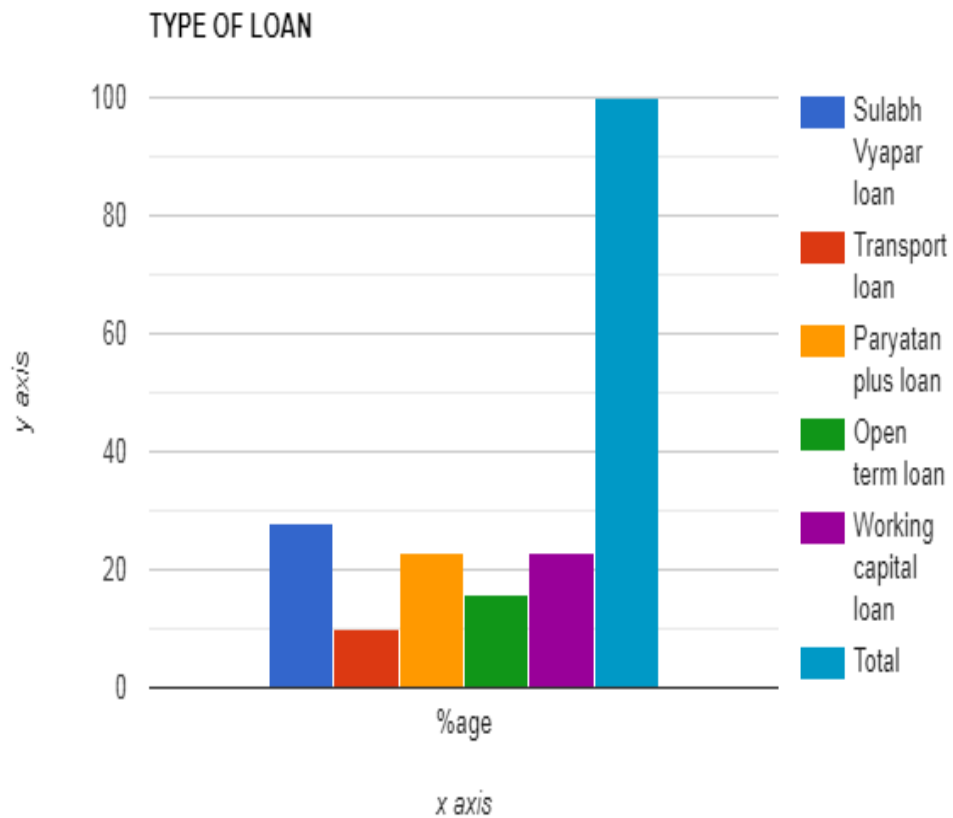
The above figure shows that 100% of the respondents have raised finance from the public sector banks .This shows that public sector banks are the most popular source of SME financing. The reason is low rates of interest which gives them capital at low cost. The service fees and bank charges are also less which results in low cost of financing than the other sources.

3. WHAT TYPE OF LOAN IS TAKEN BY YOU?

TYPE OF LOAN

Type of Loan	%Age Of Respondents
Sulabh Vyapar loan	28
Transport loan	10
Paryatan plus loan	23
Open term loan	16
Working capital loan	23
Total	100

TYPE OF LOAN



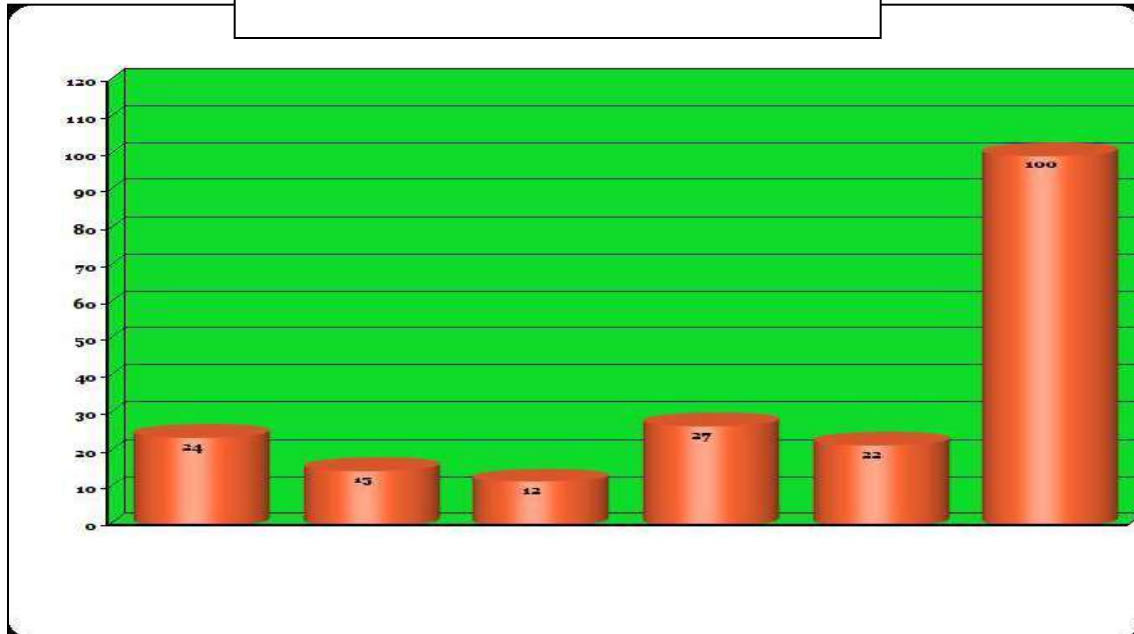
ANALYSIS AND INTERPRETATION:

The number of respondents has increased from 100, as this is a multiple-choice question. The above graph shows that 28% of the respondents have taken Sulabh Vyapar loan. 23% of the respondents have taken Paryatan plus and working capital loan. So Sulabh Vyapar loan is the most popular scheme of public sector banks for financing SMEs.

4. FOR WHAT PURPOSE, YOUR ENTERPRISE HAS TAKEN LOAN?**PURPOSE OF TAKING LOAN**

No	Purpose Of Taking Loan	%Age Of Respondents
1	To increase the production	24
2	Real estate acquisition to house the business	15
3	Construction, renovation or leasehold improvements	12
4	For the flooring of inventory and for working capital	27
5	For modernization and upgradation of technology	22
6	Total	100

PURPOSE OF TAKING LOAN



- 1) To increase the production
- 2) Real estate acquisition to house the business
- 3) Construction, renovation or leasehold improvements
- 4) For the flooring of inventory and for working capital
- 5) For modernization and upgradation of technology
- 6) Total

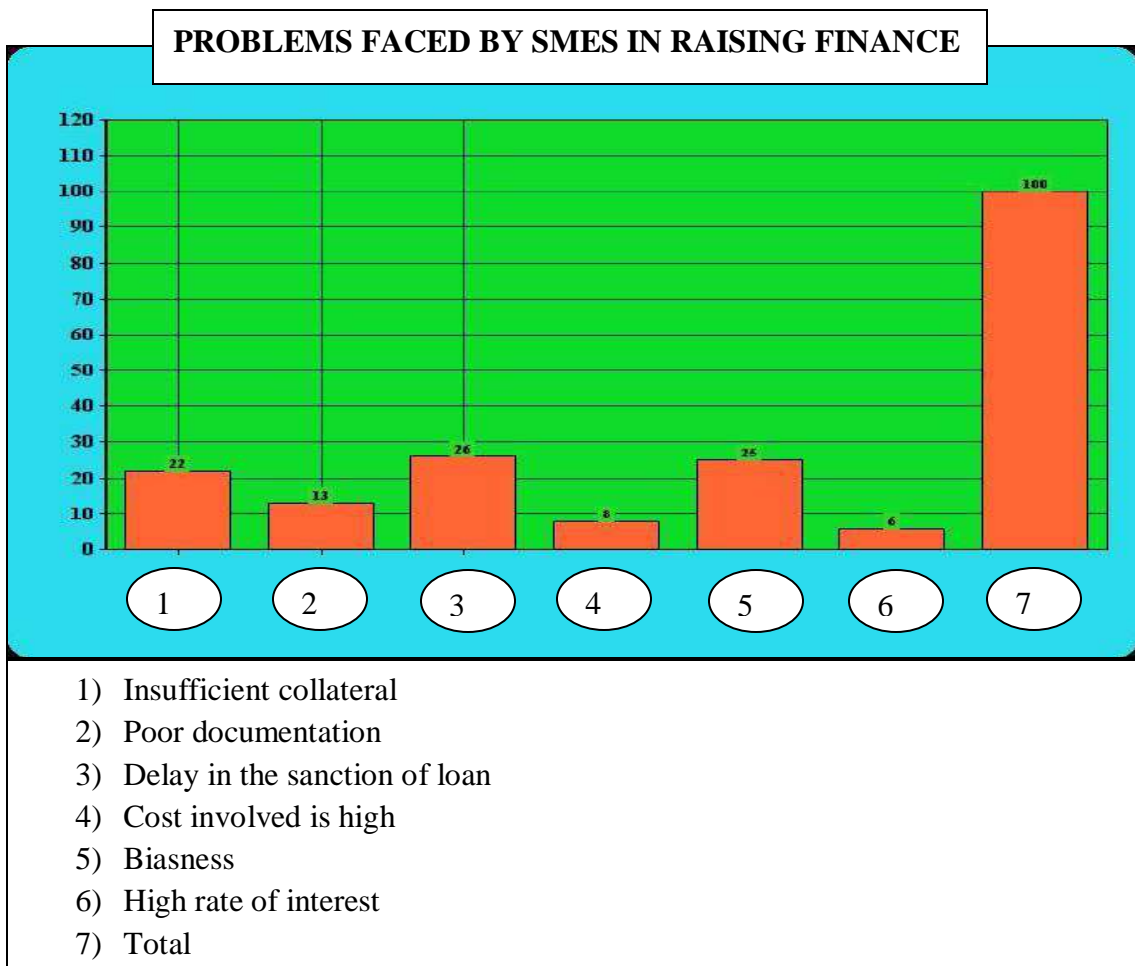
ANALYSIS AND INTERPRETATION:-

The number of respondents has increased from 100, as this is a multiple-choice question. 27% of respondents have taken loan for the flooring of inventory and working capital and 24% to increase the size of production. Most of the firms are taking loans for fulfilling their frequent needs for the capital. For technological upgradation and modernization, 22% of the respondents have taken loan showing that SMEs require capital to upgrade their technologies which is changing at a very fast phase.

5. WHAT WERE THE PROBLEMS FACED BY YOUR ENTERPRISE IN RAISING FINANCE FROM PUBLIC SECTOR BANKS?

PROBLEMS FACED BY SMES IN RAISING FINANCE

No	Problems Faced	%Age Of Respondents
1	Insufficient collateral	22
2	Poor documentation	13
3	Delay in the sanction of loan	26
4	Cost involved is high	8
5	Biasness	25
6	High rate of interest	6
7	Total	100



ANALYSIS AND INTERPRETATION:-

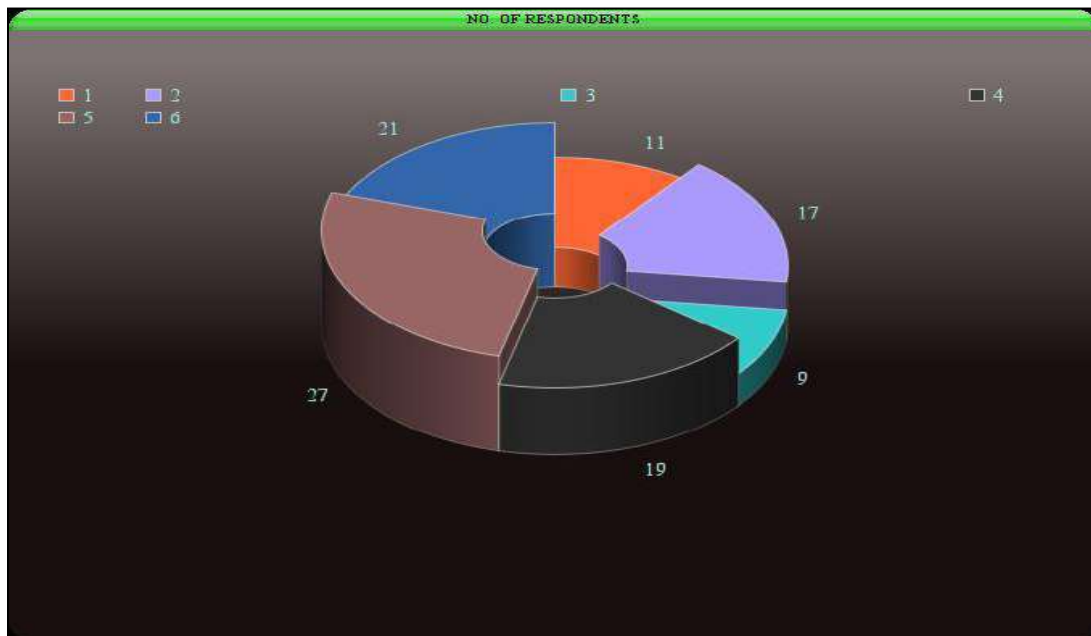
The number of respondents has increased from 100, as this is a multiple-choice question. The most common problem faced by SMEs in raising finance is the delay made in sanctioning the loan with 26%. The public sector bank employees work very slowly and usually an application takes a lot of time for approval. 25% respondents say biasness was one another problem faced by them. 22% respondents find the inability to provide sufficient collateral as a problem.

7. WHAT ARE THE MOST COMMON REASONS GIVEN TO YOUR ENTERPRISE BY THE PUBLIC SECTOR BANK FOR REJECTING AN APPLICATION FOR LOAN?

REASONS FOR REJECTING AN APPLICATION FOR LOAN

No	Reasons	%Age Of Respondents
1	The management team is too inexperienced	11
2	The application did not meet the criteria	17
3	The application was not correctly completed	9
4	Poor credit history	19
5	The enterprise could not provide enough guarantees	23
6	Not a profitable venture	21
7	Total	100

REASONS FOR REJECTING AN APPLICATION FOR LOAN



- 1) The management team is too inexperienced
- 2) The application did not meet the criteria
- 3) The application was not correctly completed
- 4) Poor credit history
- 5) The enterprise could not provide enough guarantees
- 6) Not a profitable venture

ANALYSIS AND INTERPRETATION:-

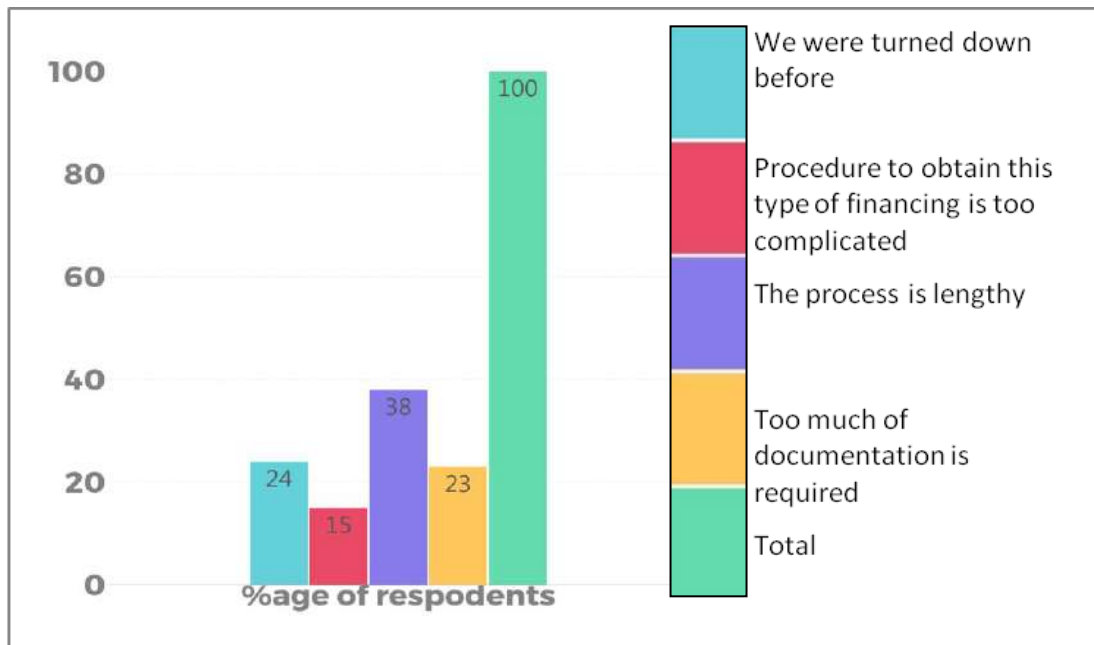
The number of respondents has increased from 100, as this is a multiple-choice question. The above figure shows that 23% respondents says that the most common reason given by the banks for rejecting an application is that they could not provide enough guarantees. 21 % says that banks reject an application because they believe that it is not a profitable venture. 19% says an application got rejected because of poor credit history as banks lie on the past performance of enterprises before granting any loan.

8. WHAT FACTORS DEMOTIVATE YOU IN APPLYING FOR FINANCE FROM THESE SCHEMES OF PUBLIC SECTOR BANKS?

FACTORS THAT DEMOTIVATE IN APPLYING FOR FINANCE

Factors that Demotivate	%Age Of Respondents
We were turned down before	24
Procedure to obtain this type of financing is too complicated	15
The process is lengthy	38
Too much of documentation is required	23
Total	100

FACTORS THAT DEMOTIVATE IN APPLYING FOR FINANCE



ANALYSIS AND INTERPRETATION:-

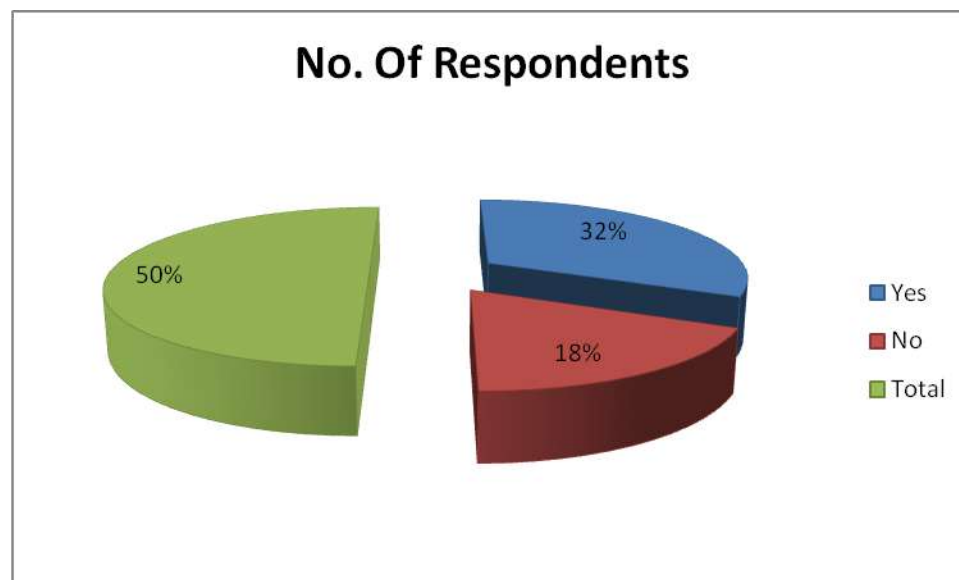
The number of respondents has increased from 100, as this is a multiple-choice question. The above figure shows that 38% respondents says that the factor that demotivates them for applying for finance from these schemes is the lengthy process involved.24% respondents says that they were turned down before.23% respondents says that they do not apply for loan from these schemes as too much of documentation is required.

9. ARE THE PRIVATE SECTOR BANKS SME FINANCING SCHEMES ARE BETTER THAN SME FINANCING SCHEMES OF PUBLIC SECTOR BANKS?

WHETHER PRIVATE SECTOR BANKS SCHEMES ARE BETTER THAN PUBLIC SECTOR BANKS SCHEMES

Private Sector Bank Schemes Are Better	%Age Of Respondents
Yes	64
No	36
Total	100

WHETHER PRIVATE SECTOR BANKS SCHEMES ARE BETTER THAN PUBLIC SECTOR BANKS SCHEMES



ANALYSIS AND INTERPRETATION:-

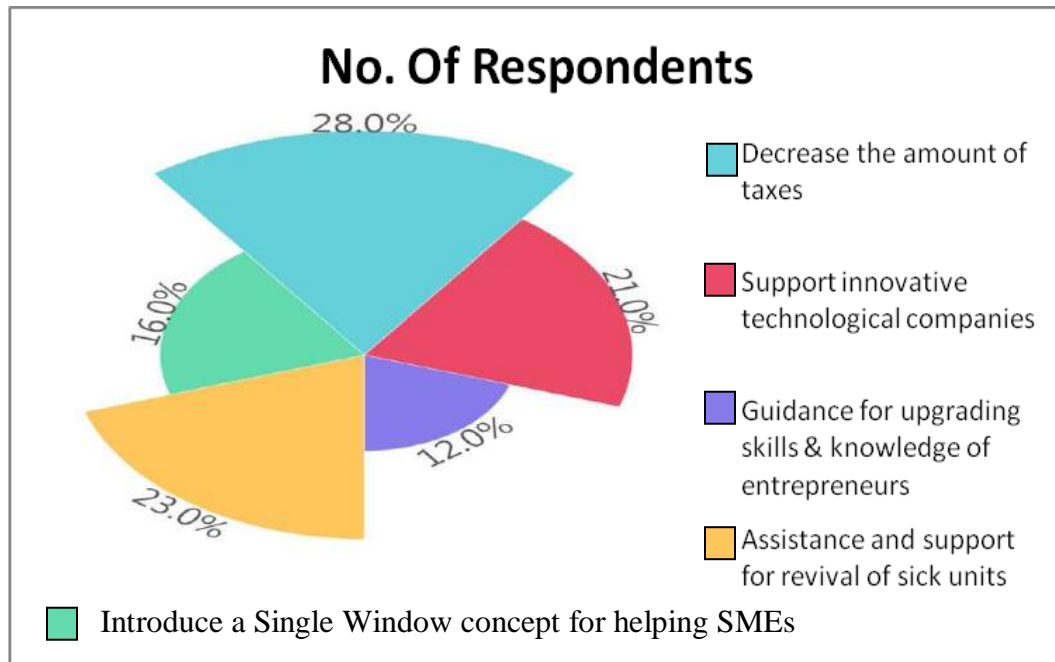
The above figure shows that 64% of respondents think that private sector banks schemes of financing are better than that of public sector banks financing schemes and only 34% think that public sector banks schemes of financing are better than that of private sector banks. The private sector banks use latest technology and provide better service. Moreover, the time involved for obtaining loan is also comparatively less. But private banks charge heavy rates of interest and charge heavy service fees.

10. APART FROM SUCH SCHEMES, WHAT INITIATIVES GOVERNMENT CAN TAKE FOR IMPROVING SME BUSINESS IN INDIA?

INITIATIVES FOR IMPROVEMENT

Various Initiatives	%Age Of Respondents
Decrease the amount of taxes	28
Support innovative technological companies	21
Guidance for upgrading skills & knowledge of entrepreneurs	12
Assistance and support for revival of sick units	23
Introduce a Single Window concept for helping SMEs	16
Total	100

INITIATIVES FOR IMPROVEMENT



ANALYSIS AND INTERPRETATION:-

The number of respondents has increased from 100, as this is a multiple-choice question. The above graph shows that the 28% of respondents believe that there is need for guidance for upgrading skills and knowledge of entrepreneurs, 23% respondents believe that assistance and support should be provided for the revival of sick units as number of sick SME units are increasing at a rapid rate. 21% of the respondents believe government should support innovative technological companies. Moreover government can introduce a single window concept for helping SMEs and can provide guidance for upgrading skills and knowledge of entrepreneurs.

FINDINGS OF THE STUDY

After undertaking the study, the following findings were made about the usage of SME financing schemes of the Bank of Maharashtra.

- The respondents had used multiple sources for financing their enterprises. Most of the respondents had relied on their own funds for financing SMEs and bank financing. Private financial institutions came third in the preference.
- Obtaining adequate finance was the biggest obstacle faced by SMEs in their growth followed by burden of heavy taxes on them. Easy financing schemes should be provided. Rates of taxes should also be decreased; it will help in the growth of SMEs in India.
- Public sector banks were the most popular source of SME financing. The reason was low rates of interest which gives them capital at low cost. The service fees and bank charges were also less which results in low cost of financing than the other sources.

- Most of the firms were taking loans for fulfilling their frequent needs for the capital. They took credit for the flooring of inventory and working capital and to increase the size of production. They had taken loans for technological up gradation also as SMEs require capital to upgrade their technologies which is changing at a very fast phase.
- The most preferred benefit of these schemes was low rates of interest as government is charging very less rates in comparison to other sources. These schemes offer attractive financing conditions and easy access also.

CONCLUSION OF THE STUDY

CONCLUSION OF THE STUDY

- Over a period of time, it has been proved that SMEs are dynamic, innovative and most importantly, the employer of first resort to millions of people in the country India has a vibrant SME sector that plays an important role in sustaining economic growth, increasing trade, generating employment and creating new entrepreneurship in India. But the SME sector faces a lot of obstacles in obtaining adequate finance.
- Government of India has started a number of SME financing schemes in its public sector banks .These public sector banks are playing a major role in the development of SME sector in India. The basic purpose of conducting the study was to study the usage of SME financing schemes of the public sector banks. The data was collected from SME units
- .New credit products may be developed to take care of the diverse, unexpected and short-term requirements of the SME customers in a hassle free manner and in a short time the process followed in sanctioning the loan and documentation required is cumbersome; hence it is suggested to make the process easier.

SUGGESTION

SUGGESTION

- The re-orientation program, workshops and seminars should be organized at district level to provide latest information to the SMEs about the various SME financing schemes of the public sector banks.

- Product innovations in banks have set the rule of the game “Innovate or perish”. The same rule applies to SME segment. At present, there is a vast gap between requirements of the SME customer and availability of suitable/matching products and services in the public sector banks. New credit products may be developed to take care of the diverse, unexpected and short-term requirements of the SME customers in a hassle free manner and in a short time.

- The conventional credit appraisal systems are heavily dependent on financial statements and miss the softer strengths inherent in the business. Banks may adopt a balanced score card model for credit assessment under which risk weights may be assigned to (i) managerial, technical and commercial competence of the entrepreneur (ii) quality of trade references from suppliers/buyers (need not be in writing) (iii) potential of the industry, unit and person.

- The appraisal system is to be made more realistic and transparent. The applicant and if required, his consultant, should be briefed on the objective procedures which bank applies to arrive at decisions so as to educate them to understand the requirements of bank and to prepare credit proposals in a scientific manner .
- As 95.8% of SME customers are proprietorship type of customers, it is essential for the banks to closely focus on the non-financial parameters also during appraisal (i.e. ability of person behind the show).

BIBLIOGRAPHY

BIBLIOGRAPHY

BOOK'S

Holtman, Martin, Ilonka Rühle, and Adalbert Winkler. 2000. "SME Financing:

Lessons from

Microfinance." SME Issues 1

2006. "The Role of Factoring for Financing Small and Medium Enterprises."

Unpublished

manuscript.

News Papers & Articles

Economic Times:

Reporting by Sanjeev Choudhary; editing by Ramya Venugopal

Times of India (Delhi Edition)

Web Sites:

www.BOIindia.in.

<http://www.iba.org.in/sme.asp>

<https://www.BOIindia.in/En/ui/SSI-Schemes.aspx>

<https://www.BOIindia.in/En/ui/SMEBanking.aspx#ssischemes>

<http://www.indiaonline.com/Markets/Company/Fundamentals/Management-Discussions/Punjab-National-Bank/532461>

Web

SEARCH ENGINE

www.google.com

QUESTIONNAIRE

QUESTIONNAIRE**Q1. To Know The Sources Of Finance Used By SMEs**

- a) Owners financing
- b) Private financial institutions
- c) Equity finance
- d) Bank financing
- e) Venture capital
- f) Hire purchase and leasing
- g) Business angel financing

Q2. Have you ever raised finance from public sector banks?

- a) Yes b) No

Q3. What type of loan is taken by you?

- a) Sulabh Vyapar loan d) Open term loan
- b) Transport Loan e) Working capital loan
- c) Paryatan plus Loan

Q4 For what purpose, your enterprise has taken loan?

- a) Real estate acquisition to house the business
- b) Increase the production
- c) Construction, renovation or leasehold improvements
- d) For flooring of inventory and working capital

e) For modernization and upgradation of technology

Q5. Rank the benefits of these schemes on the scale of 1-5; 1 being the most important:

6.1) Better service

6.4) Attractive financing conditions

6.2) Single window dispensation

6.5) Low rates of interest

6.3) Easy access

Q6. What were the problems faced by your enterprise in raising finance from public sector banks?

a) Insufficient collateral

d) Cost involved is high

b) Poor documentation

e) Biasness

c) Delay in the sanction of loan

f) High rate of interest

Q7. What are the most common reasons given to your enterprise by the public sector bank for rejecting an application for Loan?

a) The management team is too inexperienced

b) The application did not meet the criteria

c) The application was not correctly completed

d) Poor credit history

e) The enterprise could not provide enough guarantees

f) Not a profitable venture

Q 8. What factors demotivate you in applying for finance from the SME financing schemes of the public sector banks?

a.) We were turned down before

b.) Procedure to obtain this type of financing is too complicated

c.) The process is lengthy

d.) Too much of documentation is required

Q.9 Are these private sector bank schemes are better than public sector bank schemes?

a) Yes

b) No

Q10. Apart from such schemes, what initiatives government can take for improving SME business in India?

a) Decrease the amount of taxes

b) Support innovative technological companies

c) Guidance for upgrading skills & knowledge of entrepreneurs

d) Assistance and support for revival of sick units

e) Introduce a Single Window concept for helping SMEs

THANK YOU FOR THE CO-OPERATION

