Presentation on Access to Finance

World Trade Day 2018 organized by World Trade Centre, Mumbai at Rotary Club Hall, Ichalkaranji
Date – 20/06/2018
MSME Sector in India

- A vehicle for Faster, Sustainable and more Inclusive Growth.
- Platform for Entrepreneurship Development
  - > 51.1 million enterprises
- Second largest source of employment > 117.1 million
  - Inclusive nature of employment creation
  - Average employment per enterprise – 2.3
  - Investment per employment – Rs. 5.3 lakh
- Percentage of enterprises availing loans
  - From Institutional sources – 7.3%
  - Self-finance – 92.70%
- Contributes 33.40% of manufacturing,
- 45% of exports,
- GDP share by MSME – 37.5%
- MSME growth faster than industry/economy.
Set up in 1990 by an act of Parliament to act as the Principal financial institution for MSMEs and Co-ordinate the functions of institutions engaged in similar activities.

Originally functioning as a Refinancing Institution for SSIs (now MSMEs as per MSMED Act, 2006)

Benefitted over 3.60 lakh people

National Presence – serving over 500 MSME clusters with 82 branches in the country.
SIDBI - Apex institution for MSME in India

Credit
- Indirect Finance
- Direct Finance
- Micro finance

Credit Plus
- Enterprise promotion/skill development
- Management Development
- Cluster Development
- Marketing Support
- Policy advocacy
- Credit Advisory

Institutional solutions
- SVCL- Venture Capital
- SMERA- SME Rating
- CGTMSE – Collateral Free Lending
- ISTSL- Technology Transfer
- ISARC – Asset Reconstruction
- MUDRA – Funding the Unfunded

SIDBI - Apex institution for MSME in India
Access to Credit –
Types and Models of SME Finance

- Refinance
  - Primarily a Refinancing Institution (RFI) to augment the resource base of Banks/SFCs,
  - Micro Credit through MFIs
    - Upscaling / Downscaling

- Direct Finance
  - To fill the gaps by supplementing the banks / FIs and showcase that loans to MSMEs can be profitable
  - Term Lending, Bills Discounting / Receivable Finance
  - Cluster based approach for direct finance
    - Specialized scheme for specific requirement (FSIA)
  - Sustainable/Responsible Finance

- Promotional and Developmental Activities
- Nodal/ Implementing Agency to GoI Schemes/ Programs
- Policy Advocacy
- Specialized functions through subsidiaries/ associates
Addressing Gaps

- Term loan to manufacturing and service sector (SMILE, TIFAC, SBL, PCS, etc.)
- Financing start-ups / innovative enterprises/ incubatees
  - Setting up Micro Venture Innovation Fund at National Innovation Foundation, Ahmedabad – 200 innovations benefitted
  - SIDBI Innovation and Incubation Centre at IIT, Kanpur – incubated 69 start-ups
  - SIDBI Centre for Inn
- Equity/ Venture/ Risk Capital
- Working Capital
- Service Sector
- Energy intensity
- Developing other niche areas
SIDBI as Nodal Agency - GOI Schemes

- Credit Linked Capital Subsidy Scheme (CLCSS)
- Technology Upgradation Fund Scheme for Textiles / Jute (TUFS)
- Integrated Development of Leather Sector Scheme (IDLSS)
- Scheme of Technology Upgradation / Setting up / Modernisation / Expansion of Food processing Industry
- Technology & Quality Upgradation (TEQUP) Scheme
P&D Activities of SIDBI

• P&D Support to MSMEs – SIDBI’s mandate and an integral part of Bank’s activities since inception.

• Besides financing, SIDBI plays a pioneering role for promotion and development of the MSME sector. P&D activities are designed to achieve the twin objectives of national importance viz:

(a) **Promotional** - enterprise promotion resulting in setting up new units and creation of additional employment through its select programmes, such as, Micro Enterprises Promotion Programme (MEPP), Entrepreneurship Development Programme (EDP), etc. and ;

(b) **Developmental** – enterprise strengthening through select interventions, such as, setting up of Cluster Development Programme (CDP), Skil cum Technology Upgradation Programme (STUP), Small Industries Management Assistant Programme (SIMAP), marketing support, Credit Advisory Centres (CAC), smallB website, etc.

UPFRONT FEE: 1% of the loan amount

RATE OF INTEREST (upto 7 years):
- 7.99% p.a. to 9.06% p.a.

PROMOTERS’ CONTRIBUTION
- Minimum 15% of Project Cost upto Rs.100 lakh
- 20% for the rest

TERM LOAN: Minimum 75% of Project Cost upto Rs.100 lakh, and 2/3rd for the rest
## Terms of assistance – example

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Project 1</th>
<th>Project 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Cost</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>Promoter Contribution</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Term Loan</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Soft Loan</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Secured Business Loan

- **Objective**: For any tangible or intangible business need such as capex, servicing new orders, renovation of property/ assets, reimbursement against self financed assets acquired in last one year, funding of intangibles, brand building/ marketing, R&D, inorganic business growth, or any other bonafide business need, etc.

- **Eligible Expenditure**:
  - Plant & Machinery
  - Equipment’s/ ancillary equipment’s/ balancing equipment, etc.
  - MFA like DG set, transformer, electric panel etc.
  - Need based civil construction for installation of machinery/ equipment and Jigs, fixtures, moulds, software’s etc. [not more than 25% of total project cost].

- **Eligibility**: Existing MSME units having net profits in 2 years out of last three years with cash profits in all the three years.

- **Tenure**: 3-10 years including moratorium upto 12 months for rupee term loan

- **Loan to Value (LTV Criterion)**: 60% of market value of collateral security (residential / commercial property within municipal / urban limits) OR 50% of market value of collateral security (open land / plot within municipal / urban limits, industrial property in industrial area, commercial property in industrial area)

- **Gross Cash Accrual Criterion (GCA Criterion)**: GCA = Profit after Tax + Depreciation
# Fixed Deposit

## Fixed Deposits upto `1 lakh

<table>
<thead>
<tr>
<th>Tenure (Months)</th>
<th>Interest Rate (% p.a.)</th>
<th>Effective Annualized Yield on Quarterly compounding basis (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 - 13</td>
<td>6.75</td>
<td>6.92</td>
</tr>
<tr>
<td>14 - 36</td>
<td>6.75</td>
<td>6.92</td>
</tr>
<tr>
<td>37 - 60</td>
<td>6.50</td>
<td>6.66</td>
</tr>
</tbody>
</table>

## Fixed Deposits above `1 lakh and upto `50 crore

<table>
<thead>
<tr>
<th>Tenure (Months)</th>
<th>Interest Rate (% p.a.)</th>
<th>Effective Annualised Yield on Half-yearly compounding basis (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-13</td>
<td>7.25</td>
<td>7.38</td>
</tr>
<tr>
<td>14-36</td>
<td>7.25</td>
<td>7.38</td>
</tr>
<tr>
<td>37-60</td>
<td>7.00</td>
<td>7.12</td>
</tr>
<tr>
<td>Name of the portal</td>
<td>Logo</td>
<td>Niche Offerings</td>
</tr>
<tr>
<td>---------------------------------------</td>
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</tr>
<tr>
<td><a href="http://www.standupmitra.in">www.standupmitra.in</a></td>
<td><img src="image" alt="Stand Up India" /></td>
<td>Thrust on Standup India loans (rs 10 lakh to Rs 100 lakh) and handholding</td>
</tr>
<tr>
<td><a href="http://www.udyamimitra.in">www.udyamimitra.in</a></td>
<td><img src="image" alt="UdyamiMitra" /></td>
<td>Access all enterprise loans- MUDRA, MSME loans- (presently upto Rs 2 crore)</td>
</tr>
<tr>
<td><a href="http://www.smallB.in">www.smallB.in</a></td>
<td><img src="image" alt="smallB.in" /></td>
<td>Knowledge access - Setting up</td>
</tr>
<tr>
<td><a href="http://www.sidbistartupmitra.in">www.sidbistartupmitra.in</a></td>
<td><img src="image" alt="SIDBI StartupMitra" /></td>
<td>Matchmaking portal of startups, accelerators and incubators</td>
</tr>
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</table>
**Mitra…**

**Single Point Access to Information as well as Services**

<table>
<thead>
<tr>
<th>Business ideas and knowledge pool</th>
<th>Credible Connect</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Standardised information- forms, guidelines, schemes including subsidy schemes, DPRs</td>
<td>• Locate branch</td>
</tr>
<tr>
<td>• smallB.sidbi.in</td>
<td>• Online Access to 1.25 lakh bank branches</td>
</tr>
<tr>
<td>• AV films( 10 languages) ,flyers, brochures, user manual, FAQs, Looking for answers, subsidy convergence uploaded.</td>
<td>• Online requests can be made to 17000+ handholding agencies (for application filing, financial training, skill training, mentoring, access to margin money/subsidy and so on)</td>
</tr>
</tbody>
</table>
Status of mitra portals

- [www.UdyamiMitra.in](http://www.UdyamiMitra.in) and [www.StandUpMitra.in](http://www.StandUpMitra.in) for micro enterprises under MUDRA and other MSMEs to apply online for loans to banks or for seeking handholding for the same.
- Over 1 lakh bank branches and 17,000+ handholding agencies directly linked.
- 67,000+ registrations, 11,000+ online loan requests completed and 2300+ loans extended online.
- 24,000 handholding requests of which 12,000 attended so far.
- Field support by SIDBI offices, Lead Bank, SLBC, etc. to monitor action by banks
LOAN IN EASY STEPS FOR
BUSINESS ENTERPRISES AND MSMEs

Latest News: rtfl (www.udyamimitra.in) is coming soon
Login

User Name *
Password *

Remember Me

Login  New User?  Forgot Password?
Portal Flow Diagram

Visit
www.udyammitra.in or www.standupmitra.in

Loan in easy steps for MSMEs

Registration
(using phone and e-mail)

E-Categorization of borrower and scheme

Handholding Agencies

Publish all handholding programs/events on portal calendar

Trainee Borrower

Ready Borrower

Request for Handholding

Handholding Request responded

Apply for Loans in e-Marketplace

Submit additional documents (if any)

Tracking of Application

Sanctioned

Not Interested

Disbursed

Applicant Intimated

MUDRA → < ₹10 lakh
SUI → between ₹10 lakh and ₹1 crore
MSME → upto ₹2 crore (other than SUI)

Help available at support@standupmitra.in
suppor@udyammitra.in
SIDBI – A ONE-STOP WINDOW

I. Subsidiaries
  ▪ Venture Capital - SIDBI Venture Capital Ltd. (SVCL)

II. Associates
  ▪ Credit Guarantee
    ▪ Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)
  ▪ Credit Rating
    ▪ SME Rating Agency of India Ltd. (SMERA)
  ▪ Technology Transfer
    ▪ India SME Technology Services Ltd. (ISTSL)
  ▪ Asset Reconstruction
    ▪ India SME Asset Reconstruction Company Ltd. (ISARC)
  ▪ Funding of unfunded
    ▪ Micro Units Development & Refinance Agency (MUDRA)
  ▪ Financing of Trade Receivables
    ▪ Receivables Exchange of India Ltd. (RXIL)
CGTMSE – Game changer for MSMEs

- Set up as a Trust in August, 2000 and administered by a Board of Trustees –
- Government of India (Ministry of MSME) and Small Industries Development Bank of India (SIDBI) Contribution ratio 4 :1 (initial corpus was Rs. 2500 crore and now enhanced to Rs. 7500 crore).
- Benefits:
  - Credit facility upto Rs. 200 lakh covered
  - Improves Risk Profile & Supports First generation Entrepreneur
  - Less provisions for Member Lending Institutions [MLIs] for their Bad Loans
  - Faster Recovery of Institutional dues
  - A Good tool / intervention as compared to Direct subsidies with wider and bigger impact with less capital
- Total 106 MLIs registered with the Trust as on date (21 PSU Banks, 20 Pvt. Banks, 51 RRBs, 9 FI and 5 Foreign Banks)
- Maximum risk coverage of upto 85% of the credit facility
- Risk sharing reduced to 50% for loans above Rs. 50 lakh
Thank you!

Contact us at:

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