



The prominence of SME sector in today's world is amply recognised, considering their remarkable contributions in achieving various objectives such as employment generation, generation of new entrepreneurships, contribution to national outputs and exports, and the depth they provide to the industrial base of a country's economy.

India's SME sector is so vibrant today that they play a major role in sustaining the country's economic growth. The General Finance Market of the country today identifies their major function as to fund the small and medium enterprises of the country. This section explores various options of business financing for all financial institutions. The relationship between the banker and the customer also has become most competitive today.

The World Bank has approved a \$400 million additional financing loan to the Small Industries Development Bank of India (SIDBI) this year to improve the financial assistance to the small and medium enterprises of the country and to assist them in the global financial crisis and the subsequent liquidity constraints. This also addresses the slowdown in the credit growth of the Indian financial sector.

This credit facility focuses long-term working capital loans for SMEs in the country and the expansion of credit facilities to new geographical areas, possibly to India's lesser-developed states, thereby promoting inclusive growth of SME's across the country.

About SIDBI

According to Indian government, the companies which falls under the domain of SME are those in which the units in the investment for plant and machinery does not exceed Rs.10 million. Small Industries Development Bank of India (SIDBI) which was established in 1990 runs with the objective of promoting and financing SME's in the country, in co-ordination with the

functions of the institutions engaged in financing the small scale sectors.

SIDBI's schemes can be broadly divided into four categories:

- Refinance Schemes
- Bills Finance Schemes
- Project Related Direct Finance Schemes
- Promotional and Development Schemes

SIDBI's financial assistance for small scale sector have three major dimensions- an indirect assistance to primary lending institutions (PLIs), a direct assistance to small units and overall development activities and support services.

SIDBI extends its operation through the primary lending institutions such as State Financial Corporations, Scheduled Commercial Banks, State Industrial Development Corporations. SIDBI provides financial assistance to SSIs both directly through its branches and indirectly through the Primary Lending Institutions.

SIDBI provides Indirect Finance (refinance and rediscounting of bills) through, Small Scale Industries and Primary Lending Institutions (PLIs). In respect of some institutions, the line of credit is granted in lieu of refinance.

They offer Direct Finance through several tailor-made schemes targeting specific groups or activities benefiting SSIs. Their Direct Finance Services include different types of Loans, Promotional and Developmental Services, Grants and Corpus Support provided to non-governmental organisations, technology and management institutions etc, to act as implementing agencies for SIDBI's developmental programmes.

SIDBI looks forward to a partnership with NGOs, associate financial institutions, corporate bodies, marketing agencies, etc., for national level programmes.

What our Public Sector and Private Banks Offer?

India's largest lender, State Bank of India had announced a cut in interest rates for their new SME loans and announced a few other measures to improve credit flow to this segment. SBI has slashed lending rates for loans up to Rs 5 lakh to eight per cent and those for loans ranging from Rs 5-25 lakhs to 10 per cent in April 2009. The rate reduction will be available for the next two years and will be applicable for working capital and term loans provided they are covered under CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises).

After two years, the bank will review and rework the rates according to the prevailing market conditions. SBI has also extended the SME help and SME care schemes, under which they offer loans at eight per cent to SMEs from April to September 30, 2009.

ICICI Bank, the country's leading private sector bank, expects a 10-12 per cent growth in loans to Small and Medium Enterprises (SMEs) by this year as per the an official announcement made by their officials this month.

ICICI Bank's vendor and dealer financing services ensure timely availability of finances at reasonable costs allowing healthy and continuous growth of SME business. ICICI Bank's Unsecured Small Business Loan provides easy loan approvals without mortgages and collateral securities. Loan are provided in the form of overdrafts, letter of credit or bank guarantee and you can borrow up to a maximum of Rs. 25 lakhs in this scheme.

ICICI Bank has several tailor made SME loan packages for different sectors, prepared according to the requirements of various sectors. They also offer tailor made services in cash credit, working capital, bill discounting, cash management services, roaming current accounts.

The Bank of Baroda has separate loan schemes for different segments like Vidyasthali loan for the education sector, Arogyadham for the health sector, Laghu udhyami credit card, technology upgradation fund scheme for textile industry, composite loans, short and medium term loans, gold cards, schemes for financing energy efficiency projects, and OD facilities against land and building.

All SMEs and other entities including service sector with an annual sales turnover upto Rs. 100 crores, are eligible for this with a security of an exclusive charge for the bank on the assets of the enterprises and a personal guarantee of all promoter directors.

Standard Chartered Bank has drawn up plans to make a determined entry into providing business equipment loans to SME's. The bank scales up plans to provide long term loans to SME's and also to launch a 'one money card', which is a credit card and a debit card rolled into one. This is a fee-based product (like a platinum card) and will be sold by the bank on an invitation basis to select customers.

With the different ventures SIDBI and schemes of public and private sector banks, adequate strength is gained by the SME in the country against the crash occurred during the economic crisis and is looking ahead for a bright growth in the following years