

## A study on schemes of State Bank of India for lending to MSMEs

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### ABSTRACT

*Rightly said to be backbone of any economy, MSMEs promote equitable development and overall societal welfare and stability by creating additional job opportunities. Access to finance is widely believed to be the most important challenge faced by MSMEs worldwide. State Bank of India has been playing a critical role in the overall growth and development MSMEs through various schemes. Thus, the present paper attempts to study the lending practice of SBI in Jorhat district of Assam under various schemes.*

**Keywords:** MSMEs, State Bank of India, Lending, Schemes.

### INTRODUCTION:

Across the world, through various countries, the Micro, Small and Medium Enterprises contribute significantly to the process of economic progress and growth. The MSMEs are perceived to be risky and this perception often affects the credit flow to this segment. Moreover, the small size of the loans makes these transactions not so cost effective (Salwan, 2012). Availability of timely and adequate credit is sine-qua-non to the growth of an enterprise. There is a perception that the MSME sector in India, more particularly the Micro & Small Enterprises sector is not receiving timely and adequate credit (Kulkarni, 2007).

One of the factors of smooth functioning of any sector is its ability to finance. The credit flow from banks to any sector is an indicator of its importance (Das, 2012). Considering the ability of MSME in employment generation and contribution to GDP, the Government of India classified small scale industry under the priority sectors in order to give priority to this sector for the purpose of bank lending. In other words, Bank credits to MSME sector in terms of MSME Development Act, 2006 qualify for priority sector lending (Rao, Das & Singh, 2006).

State Bank of India is a pioneer in financing Micro, Small and Medium Enterprises in India. The bank has been playing a critical role in the overall growth and development MSMEs. As on 31<sup>st</sup> March, 2017, approximately 14 percent of SBI's total advances have been to MSMEs amounting to more than ₹ 2.25 lakh crore. With over 1 million customers, SBI's approach in driving MSME growth is based upon three pillars namely, Customer convenience, Risk mitigation, Technology based digital offerings. 1248 branches across the country are specialized in MSME lending. SBI has laid special emphasis on extending credit facility to eligible unit and has achieved 102 % of its targets for the financial year 2017 (Annual Report, SBI, 2017-18).

### OBJECTIVES:

The aim of the study is to the lending schemes of SBI for MSMEs in Jorhat district of Assam.

### METHODOLOGY:

For the purpose of the study, the loan applications RASMECCC, SBI Jorhat for the period 2016-17 to 2018-19 under priority sector lending was scrutinized. A total of 370 applications were granted loan by the study bank. Data for these 370 accepted loan applicants (beneficiaries) were now systematically arranged and organized on

the basis of schemes under which loan was sanctioned. Furthermore, analysis has been made to find out effectiveness of schemes.

**Profile of the study district:**

The Jorhat District is located in the state of Assam between the Brahmaputra on the North and Nagaland on the South at 26°46' North latitude and 96°16' longitude in the central part of Brahmaputra. In Jorhat district there are 6 Revenue Circles and 8 Community Development (CD) Blocks which comprises 848 villages including 85 uninhabited villages.

**FINDINGS AND DISCUSSIONS:**

SBI have vast range of products designed to meet the credit needs of MSME across sectors like manufacturing, trading and services. These are:

- i) SME eBiz loan
- ii) Simplifies Small Business Loan
- iii) Stand Up India
- iv) SME Smart Score
- v) SME Smart Card
- vi) Doctor Plus
- vii) Medical Equipment Finance
- viii) E Dealer Finance scheme
- ix) E Vendor Finance scheme
- x) Asset backed Loan
- xi) Fleet Finance
- xii) PM Mudra Yojana
- xiii) Export Packing Credit
- xiv) Lease rental Discounting
- xv) Warehouse Receipt Finance

**Credit sanctioned under SBI schemes:**

Loans to be disbursed by SBI falls under 16 schemes and an additional 4 schemes sponsored by Government of India. However, it was found that only 9 schemes were followed in disbursing PSL to MSMEs. The data obtained are presented in Table 1.1.

From the available schemes with the study bank, the schemes used for the purpose of lending are presented in the Figure 1.1.

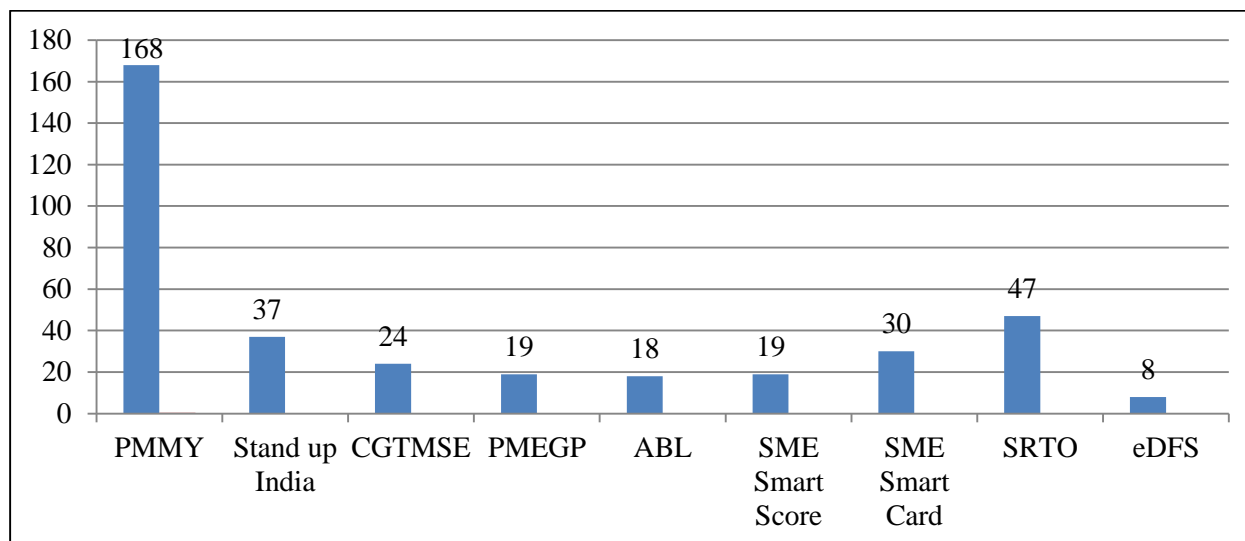
**Table 1.1: Disbursement of Credit under various schemes**

Serial No	Schemes	Number of loan applicants	Percentage
1	PMMY	168	45%
2	Stand up India	37	10%
3	CGTMSE	24	6%
4	PMEGP	19	5%
5	ABL	18	5%
6	SME Smart Score	19	5%
7	SME Smart Card	30	8%
8	SRTO	47	13%
9	eDFS	8	3%
10	SME ebiz loan	0	0%
11	Simplified Small Business Loan	0	0%
12	Doctor Plus	0	0%
13	Medical Equipment Finance	0	0%
14	Fleet Finance	0	0%
15	E Vendor Finance Scheme	0	0%
16	ABL & Commercial Real Estate	0	0%
17	Export Packing Credit	0	0%

Serial No	Schemes	Number of loan applicants	Percentage
18	Lease Rental Discounting	0	0%
19	Open term loan	0	0%
20	Warehouse Receipt finance	0	0%
<b>Total</b>	<b>370</b>	<b>100%</b>	

Source: Field Study

**Figure 1: Schemes used by State Bank of India for disbursement of credit**



Source: Field Study

**Interpretation:** It is observed from the Table No 1.1 that from the bunch of schemes available with the study bank, the study bank focuses only on 9 schemes. The maximum numbers of loan are granted under Government Sponsored Schemes which are Pradhan Mantri Mudra Yojana (PMMY), Prime Ministers Employment Generation Programmes (PMEGP), Stand Up India (SUI) and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) which are all Government sponsored schemes. In addition to that, Figure 1 shows that Pradhan Mantri Mudra Yojana has been the most effective scheme during the study period. A total of 168 loans were granted under PMMY.

## CONCLUSION:

Out of 20 schemes available with the SBI, the study bank focuses on 9 schemes. Amongst these 9 schemes, Pradhan Mantri Mudra Yojana has been the most effective scheme by the study bank for lending to MSMEs in the study district. In order to ascertain adequate and timely credit to business enterprises all other schemes should also be focussed.

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