



Innovations - SME Financing

SME Market

Contribution to economy

- 9% of GDP
- 40% of exports
- 45% of industrial employment
- More than 26 mn units

Contribution to banking

- ` 8802.65 Bn (53.1%)* of Savings float
- ` 3136.56 Bn (54.2%)* of Current account float
- ` 19448.98 Bn (41.7%)* of Term deposit
- ` 7333.00 Bn (16.7%)^ of Asset Book
- Significant contribution to Forex

* RBI Ownership data of 2010 projected as on September 2012

^ RBI BSR 2011 projected on March'12



SME – Significant other contributions

SME's contribute to economic growth through :

- Competitive products & Services
- Innovation
- Entrepreneurship
- Wealth Creation
- Urbanisation



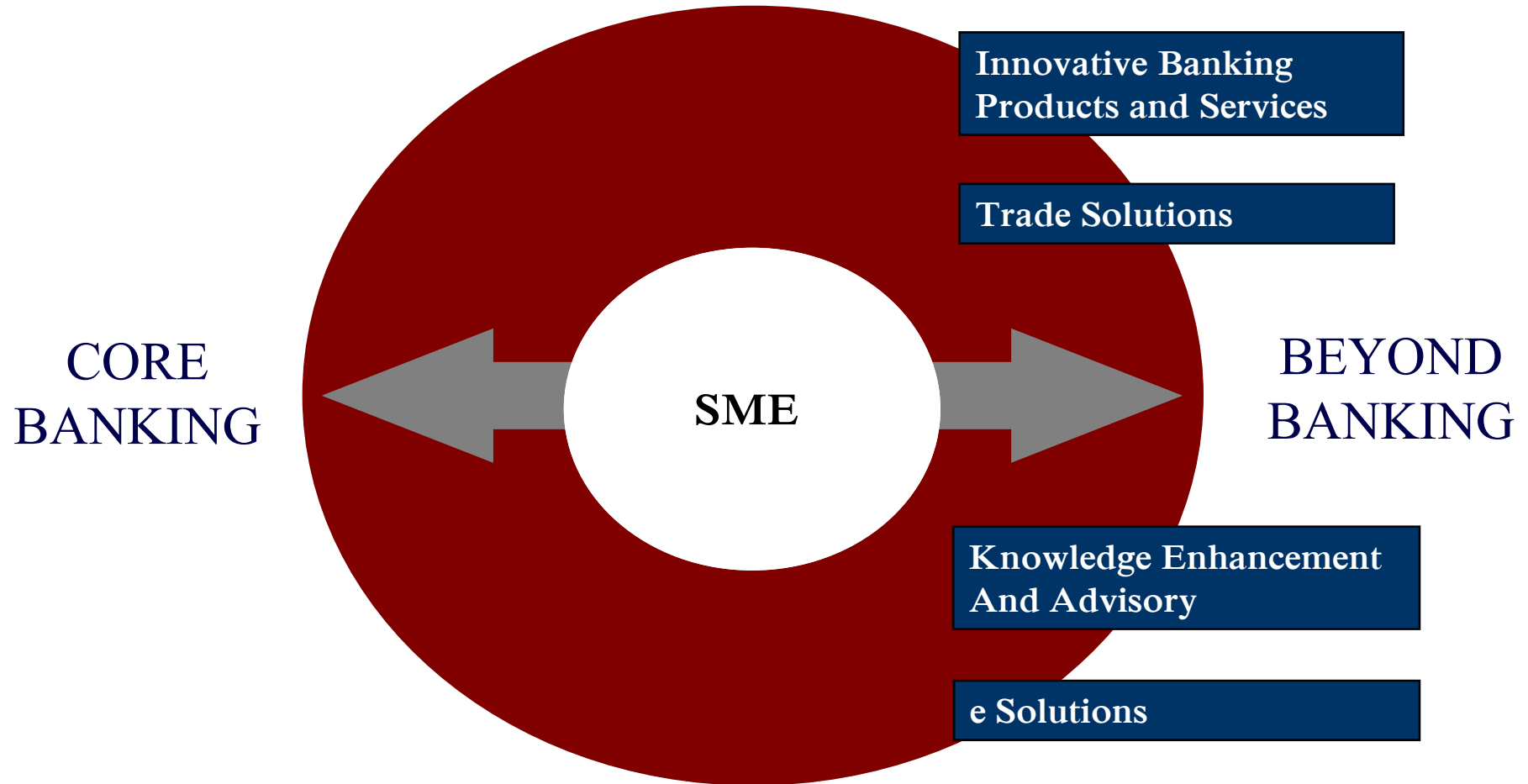
SME Financing

Key Challenges

- Lack of investment capital in start-up ventures
- Limited access to Technology
 - Restricted by high initial costs and low scale of operations
- Challenges in scaling up operations
- ✧ Limited investment in middle/senior management
- ✧ Thin secondary market
- Limited access to finance & timely credit
- Insufficient availability of credit information



SME customers - Evolving



SME Financing

Traditional Approach

- Diffused strategy with “one shoe fits all”
- Focus on fund based products
- Low customisation of financial solutions
- Credit appraisal largely based on financial statements
- Low technology based solutions for efficient flow of financing
- Focus on limited geographies



SME Financing

Evolving Needs

- Emergence of new age businesses specially in the Services segment – e-commerce
- A large number of SME units into Exports & Imports with requirements for foreign currency loans and/or hedging solutions
- Expectations for conducting transactions on a online platform
- Simpler solutions, to enable deeper focus on core business



Innovative Solutions

Solution Based

- Loans for New merchant establishments with assessment based on card receivables
- Customised solutions for new age industries such as e-commerce
- Collateral free loans under CGTMSE
- Unsecured loans for traders (who are not covered under the CGTMSE scheme)
- Structured Trade Products for Exporters / Importers for their specific needs – Tie up with Exim Banks, EBN or Foreign currency term loans



Innovative Solutions

Leveraging Technology

- Use of digital channels such as TAB for information flow and faster turnaround time
- Online platforms such as internet banking for greater efficiencies in cash flow management
- Use of SFMS between Banks as an efficient communication platform to facilitate trade
- Vendor – Manufacturer Bill discounting platform

New Products & Process

- Pre-qualified loans based on past transaction history instead of relying solely on financials
- Business Card for meeting expenses on the move
- Simplified documentation and checklists for ease of execution and verification



Focus – Way Ahead

- Use of credit scoring models to eliminate bias
- Cluster based approach
- Use of new age channels like mobile, facebook etc. for client acquisition/transactions
- E-Forums and online platforms for exchange of information



Thank you

