

SMALL AND MEDIUM ENTERPRISES FINANCING AT SYNDICATE BANK REGIONAL OFFICE, BANGALORE

S. Saravanan

Assistant Professor, Justice K S Hegde Institute of Management, Nitte, India

Email: saravanansnr@gmail.com

ABSTRACT

In the growth and progress of any country, its small scale sector is of equal importance as of other large scale sectors because a country cannot progress in its true sense unless its small scale sectors progress. Be it a developed country like Japan and USA or a developing country like Thailand and India, they form the backbone of the economy. A dynamic and vibrant SME sector plays a key role in successful economic growth of the countries. The developmental role of SMEs has been highly recognized. They provide most of the employment opportunities for the general public of the country and as a result, they prosper in these conditions. SMEs allow a homogeneous geographic development throughout the length and breadth of a country because of the fact that the development is done at a micro level due to the initiative taken by the general public. This has a positive effect on the GDP level and the employment conditions in the country. The SMEs contribute nearly 40% of India's domestic production and 50% of total export. Thus SMEs have vital role in socio economic development of our country. The sector requires the support from all the Stake holders, especially in the context of liberalization and market reforms being implemented in the country. The sector should be able to face the growing competition both globally and domestically. Syndicate bank has identified SME as the thrust area for expanding credit. The policy measures taken to step up the flow of credit to SMEs by the Government of India and Reserve Bank of India from time to time have been implemented by Syndicate Bank to improve the credit flow of the sector. The main objective of the research was to learn about MSME financing, borrowing pattern of the customers steps taken by bank to promote SME schemes also learn about the awareness of CGTMSE scheme with the customers. To find out the satisfaction level of Syndicate Bank's SME Borrowers. The Analysis showed that there is lack of information among SME entrepreneurs of the Scheme in which they have borrowed and lack of awareness of various new schemes which are advantageous to the borrowers. Customers suggest that the Interest Rate Charged by Syndicate Bank is slightly higher compared to other banks.

Keywords: SME Borrowers, MSME Financing, Customer Perception, Customer Awareness, Extent of Coverage

INTRODUCTION

Small and Medium Enterprises (SME's) 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 of 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. SME finance is the funding of small and medium sized enterprises, and represents a major function of the general business finance market – in which capital for different types of firms are supplied, acquired, and costed or priced. Capital is supplied through the business finance market in the form of bank loans and overdrafts; leasing and hire-purchase arrangements; equity/corporate bond issues; venture capital or private equity; and asset-based finance such as factoring and invoice discounting. However, not all business finance is external/commercially supplied through the market. Much finance is internally generated by businesses out of their own earnings and/or supplied informally as trade credit, that is, delays in paying for purchases of goods and services. SME finance is one of the functions of any bank. The main principle of lending is safety, liquidity and profitability and SME finance helps in achieving all these. NPA will be comparatively low under SME scheme. The focus of bank now, is to increase the probable profits while limiting possible losses. The economic and social importance of the small and medium enterprise (SME) sector is well recognized in academic and policy literature. It is also acknowledged that these actors in the economy may be under-served, especially in terms of finance. However, business lending as a whole is substantially more diverse and complex than personal and residential mortgage lending. This, coupled with the large size and inherently risky nature of many business loans, tend to limit the scope and desirability of computerized credit scoring in assessment and monitoring.

OBJECTIVES OF THE STUDY

Primary Objectives

- To know the borrowing pattern of the borrowers
- To know the response of SME entrepreneurs to various SME scheme set out by Syndicate Bank to popularize SME finance.
- To find out whether the Borrowers are aware of CGTMSE SCHEME
- To find out the facilities and the support the customers availing from the new scheme.
- To find out whether the Borrowers are satisfied about the services provided by the bank to them.
- To know the extent of coverage of SME finance in Syndicate Bank.

Secondary Objectives

- To know the extent of finance/credit disbursement made under SME.
- To know the efforts made by the bank for popularizing SME finance.
- To know the various RBI guidelines are compiled with SME finance in the Bank.

SCOPE OF THE STUDY

This study surrounds the SME financing by Syndicate Bank in Bangalore region. This research may helpful to understand the following

- Customer perception towards SME products.
- Customer awareness about SME scheme and its benefits.
- Aware the Bank about the customer requirements.

METHODOLOGY

A research methodology is conducted for collecting data pertaining to the subject in question. It outlines how research project will be conducted and guides data collection, analysis and report preparation.

Data Collection

The data required for the project is collected through two main sources namely primary data and secondary data.

Primary Data

Data which is collected for the first time keeping in the view of the objectives of the study is known as primary data. Primary data for the study collected from the bank officers as well as from the customer with the help of questionnaire.

Secondary Data

- SME lending circulars of Syndicate Bank
- Information from official website
- Retail lending banking book of syndicate bank

Sampling**Sampling Unit**

The Respondents who are the borrowers of SME loans of Syndicate bank of Bangalore Region is taken as a sampling unit. People who has borrowed loan from Syndicate bank under SME are contacted personally and interviewed with the help of questionnaire.

Sample Size

The sample size Consist of 50 Respondents in total. The selection of these respondents is done in Bangalore region which covers Rajajinagar, Yeshwantpur, Peenya, Nandini layout, Mahalaxmi layout, Shankarpuram and Kamakshipalya.

Sampling Method

In this Project work Non- Probability method of sampling is used in determining the sampling size. The sampling chosen in this method is based on the data base of the customers provided by the branches of Syndicate Bank.

DATA ANALYSIS

The primary data which is collected with the help of structured questionnaire by means of personal interview is analyzed with the help of statistical tools. For the purpose appropriate software like SPSS is used where the collected data are grouped and analyzed with the help of charts and graphs and then inferences are drawn. Data are analyzed based on the following criteria:

1. The data are grouped under various headings.
2. Analyses are drawn from the table.
3. Graphs like bar chart and pie chart are drawn according to data in the table.
4. Inferences are drawn from the analysis of graphs and tables.
5. This inference will finally lead to conclusion.

LIMITATIONS

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.
- Scope of the study is restricted only to Bangalore region.
- Some of the respondents of the survey were unwilling to share information.

After collection the primary data from the respondents the data is analyzed to find out the results of the study. The data was analyzed using tables, graphs and charts. The coding and decoding of the collected data from questionnaire is done with the help of SPSS software. The data was collected from 50 respondents, who have availed loan from Syndicate Bank. Respondents were contacted directly and necessary information was collected with the help of structured questionnaire.

This analysis will help to understand the borrowing pattern of the customers while availing loan from Syndicate Bank along with customer satisfaction regarding Syndicate Bank Loan Facility. This analysis will also be helpful to the bank to understand their customer needs and cater to them.

FINDINGS

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

- The respondents borrowing pattern was influenced by friends or relatives and because of having account in the same bank. 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 came in only for the reason of expansion.
- SME borrowers do not have much information about the scheme in which they have borrowed. SME borrowers were gaining information while filling the questionnaire and came to know about many Schemes. Most of the borrowers will recommend

their friends or relatives in case they wish to recommend they will recommend their own scheme as they don't know about the prevailing schemes.

- SME borrowers who were selected among the sample size of 50 only 56% of the respondents know about CGTMSE and not even single respondent have availed from CGTMSE scheme.
- SYND VYAPAR loan was the most popular scheme of Syndicate Banks for financing SMEs followed by working capital loan.
- SME respondents out of fifty, nearly 50-60% of them were satisfied with the services provided by the bank which includes interest rate, documentation procedure Co-operation of staff, only few of the respondents have had a bad days with the bank and have decided to quit the relationship with bank if they don't respond to their problems.
- Thirteen respondents out of fifty have borrowed loan of more than 50, 00,000 and thirty four borrowers have been granted loan above 2, 00,000 and below 50,00,000. This also derives that Syndicate Bank can disburse loan for medium and large sector of business as well.
- The most common problem faced by SME finance was Interest Rate fluctuation or high rate of Interest SME borrowers expect the bank to reduce the Interest Rate or fix the Interest Rate which will be helpful for the SME entrepreneurs.
- Most of the respondents think that private sector banks schemes of financing were better than that of public sector banks financing schemes .The private sector banks use latest technology and provide better service. Moreover, the time involved for obtaining loan was also comparatively less. But private banks charge heavy rates of interest and charge heavy service fees.
- Most of the respondents suggested that the bank should increase the man power for addressing the problems of Customer and reduce the time which will spent at bank by SME borrowers.

SUGGESTIONS

- The re-orientation program 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 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).
- The process followed in sanctioning the loan and documentation required is cumbersome; hence it is suggested to make the process easier.
- Small entrepreneurs should make feasibility studies before they finalize their projects. They should undertake only such projects which are technically, operationally and economically and financially viable.
- The problem that the SMEs face while acquiring funds from Public sector Banks is that their financial systems lack transparency. The credit ratings will give Public sector Banks ratings an easy access to the financial information of SMEs that highlight the unit's strength and weaknesses, making it easy for them to take a decision while lending.
- The issue of high cost of acquiring, serving and monitoring SME customers can be resolved by offering products which reduce frequent visit of SME customers to the branch, provide flexibility to the borrowers as well as to the bankers and fulfill other financial needs of the customer.
- Most SME customers have to make several small payments through cash, bankers' cheques or drafts. Banks may capitalize on emerging electronic payment and settlement systems such as ECS, EFT, RTGS, etc., to offer customized and cost effective retail payment/remittance solutions or cash management services to the SME customers.
- Public Sector Banks should develop flexible systems and procedures for dealing with SME customers and modify their role to be a facilitator. It may either provide software to these customers to prepare stock and financial statements or help and guide them in preparation of renewal proposal / statements.
- Banks may publish periodicals/magazines to disseminate information pertaining to various schemes of bank. It may also provide the same information through its website and e-mails.

CONCLUSION

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. But due to few obstacles, these schemes are not as effective as they should be. The review of researches has showed that SME sector plays an important role in the economic development of a country but obtaining adequate finance has emerged as a major problem faced by SMEs. The need, scope and objectives of the study provided the framework for further research. 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. Various tools of data analysis and

interpretation were used for carrying out the research. The major findings of the study were that bank financing is the most popular source for financing SMEs in India. The SME financing schemes provide credit to this sector at low rates of interest and at attractive conditions but the procedure involved is lengthy. Moreover, too much of documentation is required. Insufficient collateral and biasness are also the major problems. 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. 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.

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