



National
Institute of
Bank
Management
Pune, INDIA



Financial Services
Volunteer Corps
USA

Collaborative Programme on
Lending Strategies
to SMEs

July 14 – 18, 2008

Coordinators
Dr M Manickaraj
Prof Anjan Roy
Prof Vikas Srivastava

Programme on Lending Strategies to SMEs

Background of the Programme

Small and Medium Enterprises (SMEs) play a significant role in the economy of both developed and developing countries in terms of balanced and sustainable growth, employment generation, development of entrepreneurial skills, and contribution to export earnings. The Indian economy, as per the 11th Five Year Plan, is poised to grow at an average rate of 9 per cent over the next decade for which the industrial sector is expected to grow by 10.5 per cent or above. The SME sector, contributing 40 per cent of industrial output, 35 per cent of total exports and also being the second largest employment provider next to agriculture, is expected to grow by around 15 per cent.

Government's policy initiatives, like enactment of the new Micro, Small and Medium Enterprises Development Act (MSMED Act), 2006, pruning of reserved SSI list, advising Financial Institutions to increase their flow of credit to the SME sector, promotion of venture capital, receivable financing, leasing finance, soft loans, grants, setting up of finance companies with state participation, microfinance programme, etc have been taken in earnest for boosting entrepreneurship, investment and growth. While the government and other development agencies strive to promote SMEs, the percentage of SMEs that are served by the banking industry remains small.

The key issues in SME lending are information asymmetry about the business, moral hazard, lack of risk assessment models leading to under or overpricing and in some cases even overdependence on bank credit. The complexities involved in SME financing are, therefore, immense. There are around 350 clusters of Small and Medium Enterprises with different characteristics like Horizontal Clusters, Vertically Integrated Clusters, Mixed Clusters, etc and 917 artisan based clusters. The stage of development of cluster determines the kind of products they would require from the banking industry. Banks are facing challenges as they are expected to not only assess the fund requirements, but also become a partner in nurturing and shaping the growth of these SME clusters in India. This has put immense pressure on banks used to evaluate proposals largely based on collateral rather than growth cycle needs.

Currently, banks utilize a decision-making process that evaluates many characteristics of the borrower including : collateral, inventory, cash flow, history of the company, character of the proprietor, ratings from outside agencies, etc. Information on all the parameters may not be readily available or provided with consequent impact upon the quality of decision as well as response time. The SME sector has been booming, thanks to the strong growth in the industrial sector. However, in any event of economic slow down or shocks in the sector, the current trends of profitability of the banks'

SME portfolio may reverse. It is important that banks become prepared for any such contingency by analyzing the risks in their current and future SME portfolio.

Goals and Objectives

NIBM in association with FSVC plans to organize a five day training programme on understanding and appreciating issues, perspectives and strategies in SME lending. It will focus on SME characteristics and needs, credit appraisal, due diligence, lending strategies, cluster approach to lending, credit scoring and SME portfolio management.

Accordingly, the programme includes discussion, exercises and group activities based on live case studies recently developed by NIBM for understanding needs of SMEs and assessing their requirements depending on their growth cycle.

It will also cover development and implementation of score based lending and customer segmentation models. Where appropriate, comparisons will be made to the credit appraisal and scoring systems and portfolio management practices used by banks internationally.

Faculty

FSVC Volunteer Experts : FSVC Volunteers having experience in SME lending, and designing and developing credit scoring systems in reputable and well-established banks will discuss the core issues.

NIBM Faculty : Faculty team of NIBM will develop cases on Indian SMEs and experiences, and will discuss the same in order to customize foreign models and experiences to the Indian context.

Target Audience

The programme will be ideal for the senior executives dealing with SME lending in the head offices, zonal and regional offices of banks and financial institutions.

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Duration

July 14 –18, 2008

The Programme commences at 9.00 am on Monday, July 14, 2008 and concludes by the evening of Friday, July 18, 2008.

Venue

NIBM Campus, Kondhwe Khurd, Pune, India

Fees per Participant

US \$ 1800 for Foreign Participant

Rs. 30,000 for member institutions/Rs. 32,000 for non-member institutions*

The fees cover the cost of tuition, boarding and lodging facilities, programme material, etc. All demand drafts/pay-orders should be made out in favour of “National Institute of Bank Management”, drawn on any bank and payable at Pune. (**Service Tax will be charged extra, if made applicable*)

TDS Exemption

Kindly note that NIBM is exempted under Section 194 J of the Income Tax Act, 1961, and hence no tax is deductible at source from any payments made in its favour.

Hostel Accommodation

The programme is fully residential. Participants will be provided well furnished single room AC accommodation in the Institute’s recently renovated hostel complex on the Campus. Participants will not be permitted to bring their family members to stay on the campus.

Nominations and Enquiries

Please address your enquiries and nominations along with the fees to :

Dr M Manickaraj, Prof Anjan Roy and Prof Vikas Srivastava
Programme Coordinators
National Institute of Bank Management
NIBM Post Office, Kondhwe Khurd
Pune 411 048 (INDIA)

Telephone : 0091-20-26716000, 26833080 (EPABX)

0091-20-26716357/345/335 (Direct)

Fax : 0091-20-26834478

E-mail : manick@nibmindia.org/aroy@nibmindia.org/vikass@nibmindia.org

Telegram : NIBANKMAN PUNE 411 048

For further details, visit us at Website : <http://www.nibmindia.org>

Last Date for Receiving Nominations

July 7, 2008

Transport Facilities at Pune

Prepaid Taxi/Auto services are now available at the Pune airport/railway station (16/9 Km. distance from NIBM Campus). As such participants are expected to make their own transport arrangements at Pune to reach the NIBM Campus. However, if requested well in advance, NIBM shall arrange for hired transport (to and fro from the Campus) on actual cost basis.

Programme Contents

The training programme will cover the following topics :

- ⇒ Banking Needs of SMEs
 - Assessing fund requirements based on the stage of growth cycle
 - Understanding SME cluster, their development and need for banking products
- ⇒ SME Lending Strategies
 - Credit appraisal and due diligence
 - Risk assessment and pricing of risk
 - Credit monitoring and predicting loan defaults
 - NPA management and debt restructuring
- ⇒ **Indian Case Studies**
- ⇒ Score Based Lending for Small Businesses
 - Credit scoring models : US experience
 - Credit score and segmentation model development
 - General methodology, data requirements and evaluation
 - Systems requirement including software use and reporting systems
- ⇒ SME Portfolio Management
 - Quantification of risk, underwriting, monitoring, etc.
- ⇒ **International Case Study**

About FSVC

The Financial Services Volunteer Corps (FSVC) is a not-for-profit, private-public partnership that builds strong financial systems that enable developing and emerging market countries to realize economic opportunities and their citizens to achieve a better quality of life. It carries out its mission by recruiting leading financial, legal and regulatory experts. These volunteers provide state-of-the-art technical assistance to our in-country partners and build personal bridges across international borders. FSVC's targeted, results-driven missions help develop central bank capabilities, strengthen commercial banking systems and build capital markets.

FSVC Volunteers

Dave Snyder is Vice President at Wells Fargo Bank, and is an expert in SME portfolio management. He and his team manage \$ 25 billion portfolio of SME loans. He has volunteered for FSVC many times on the subject of SME portfolio management.

Thomas Quinn is Vice President of Global Scoring Solutions at Fair Isaac. He has technology background and extensive experience on managing teams who build credit scoring models.