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Offer up to Rs 1 cr overdraft to MSMEs on turnover reported in GST returns: ICICI Bank

BY [NEHA DEWAN](#), ET ONLINE | UPDATED: MAY 09, 2019, 11:36 AM IST

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ICICI Bank aims to bring in more digitised services for the MSME sector, enabling quicker payment transactions, less paperwork and faster reconciliation solutions. Pankaj Gadgil, Head - Self Employed Segment, ICICI Bank spoke to ET on how **MSMEs** can save on time and costs by shifting to a more conducive digital environment. Excerpts:

The Economic Times (ET): Among the factors that inhibit MSMEs from availing credit include cumbersome documentation and collateral requirements prescribed by banks as well as proof of creditworthiness. Do you think there is scope for banks to simplify the procedures?

Pankaj Gadgil (PG): Yes, there is scope to reduce the physical documentation process as everything is shifting to digital. As a matter of fact, in the past few months, we have taken many steps towards this.

We have launched **InstaOD**, an instant disbursement of overdraft to our MSME customers, to take care of their working capital requirements. We provide an overdraft of up to Rs.15 lakh instantly without the customer visiting a branch and submitting physical documents. This is first-of-its-kind offering in the Indian banking industry— it is fully digital and completely paperless.

We also give quick overdraft facility to MSMEs of up to Rs 1 crore based on the turnover reported in their **GST** returns. Called **GST OD**, this facility is available to any MSME including non-customers of ICICI Bank. It brings in the improved convenience of availing quick OD, as uses GST returns for assessing the eligibility of working capital limit. It hence does away with the requirement of paper-intensive assessment of financial documents including balance sheets of previous years. With this simplification in place, the process for sanction of the OD is done within two working days. This is a marked improvement over the standard industry practice which requires scrutiny into multiple documents that typically takes several days.

ET: Tell us more about the various set of offerings by ICICI Bank for MSMEs. How do these stand different from your competitors?

PG: In our experience, we have seen that MSMEs, typically go through various stages namely setup, operating, growth and diversification. We, at ICICI Bank, want to offer digital solutions to the MSME companies at every stage of their lives. In line with this guiding principle, we have digitised an array of solutions that can enable the MSME companies to transact seamlessly and grow to their maximum potential. The list includes opening of current accounts instantly, making payment transactions simple, providing them with instant working capital access and simplifying export-import oriented activities.

Unlike others, we offer digitised services across the entire spectrum of stages of the MSMEs, and not a few sporadic digitised services. We believe that using our services, MSMEs can operate with immense convenience and save time.

ET: How is ICICI Bank planning to mitigate challenges of operating in remote areas? How do you offer your services there?

PG: Our experience has been that banking with MSMEs is very much like banking with individuals-- a lot of hand-holding is required in both cases. We are well equipped to do so across the country, due to our well spread network. All our 2,500-odd branches in semi-urban



"GST has been a transformational structural reform that has strengthened the economy with the creation of a national market," he said.

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and rural areas are equipped to handle any MSME customers, be it the account opening or be it lending. Moreover, we have also trained our branch officials to make sure that there is enough and more hand-holding of customers to onboard them to digital solutions like all the payment collection, remittances, internet/ mobile banking for MSMEs. All of these are also coordinated by our branch led teams.

ET: What are the challenges for MSMEs accessing finance? Do you feel that MSMEs are not well informed about the various financing option available in the market and hence face issue?

PG: The list of challenges faced by MSMEs include lack of awareness about various financing options available, difficulty in reconciliation and making the GST payment online and being averse to adopting new digital solutions without compromising on security. Some of them are not aware of maintaining a good CIBIL credit score and the benefits of it.

ET: Please elaborate on the secured and un-secured financing options available from the bank? Also, please let us know the progress of your overdraft facilities?

PG: In secured lending, we offer fund based products like overdraft, cash credit, term loans and packaging credit. We also provide non-fund based products like bank guarantee and letter of credit. Further, we have developed certain special facilities for MSMEs:

- We provide GST OD, a working capital facility that enables MSMEs to avail an overdraft of upto Rs. 1 crore based on their income reported in GST returns. GST OD offers increased convenience to MSMEs as they can now get sanction of the OD within two working days. This is in contrast with the standard industry practice which requires scrutiny into multiple documents that typically takes several days.
- We also offer Enterprise OD, a product that provides lending up to Rs. 2 crore. Based on our detailed understanding of this segment, we have been able to minimise processing time for sanction by creating a score-card, thereby reducing turnaround time and enhancing transaction convenience to the MSMEs.

In unsecured lending, we have a business installation loan that helps MSMEs to meet their small term loan requirements like office renovation, small equipment purchase among others. With this facility, MSMEs can avail loan up to Rs. 40 lakh without providing any security/guarantor. We also have Insta OD for pre-approved customers to cater to their working capital requirement. In this product, we provide overdraft facility of Rs. 15 lakh with instant online sanction and disbursement. We have received encouraging response with thousands of MSMEs opting for it.

ET: What is the impact of GST on MSMEs? Do you think bringing more firms within the tax ambit has improved credit uptake?

PG: GST is meant to bring every indirect form of tax under one roof. It makes the process of starting a business in India easy. Now, the businesses have to only register for GST which has a centralized process, similar to service tax.

GST has been a transformational structural reform that has strengthened the economy with the creation of a national market. It has enhanced ease of doing business, brought in greater productivity, efficiency and improved tax compliance. Since it takes into account comprehensive business flows, we believe that GST returns change the lending paradigm for MSMEs with faster and hassle-free access to working capital finance from financial institutions.

As per our Bank's internal customer survey, 90% of the respondents have reported a positive impact of the new tax regime on increase in digitisation, simplification of tax process and transparency in transactions. This is a testimony of the industry moving forward in an encouraging manner post the introduction of GST. The study also witnessed a significant drop in the number of customers anticipating a negative impact of GST on their turnover in the current financial year, with the percentage dropping steeply to 11% from the 22% that was reported in the last financial year.

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