

Setty: SBI aims for cashflow-based lending to SMEs

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State Bank of India (SBI), the country's largest lender, is aiming for a complete shift with regard to loans to the SME sector of up to ₹5 crore, from collateral-based assessment to cashflow-based loans backed by credit guarantees to improve access to funds, according to its chairman C S Setty.

This will help entice borrowers to stay with the lender, said Setty, who took charge as SBI chairman last week.

"If you want to transition from collateral-based lending to cash flow-based credit, which is possible now, there is a need for policy and mindset changes amongst lenders. Before that mindset changes happen, a little bit of support from credit guarantees is required," Setty said, addressing "Financing 3.0 Summit" organised by Confederation of Indian Industry (CII) here.

The formalisation of MSMEs (micro, small & medium enterprises) due to



SBI Chairman C S Setty said along with credit, SMEs need governance and tech to grow

GST has increased confidence in lending to them. The credit is important for scaling up business but what is also required is governance and technology for SMEs to grow, he added.

Later speaking on the sidelines, he said the bank will have to address the issue of fees charged to SME customers for guarantees and comfort the borrowers have with the current arrangement of collateral-linked funding. The transition to fully cash flow-based lending will happen in stages.