

Guaranteed credit finds few takers

A SIDBI initiative for first generation entrepreneurs is marred by lack of publicity.

J.JAGANNATH

Bangalore—Credit Guarantee Fund Trust for Small Industries (CGTSI) is an initiative of Government of India and SIDBI to provide bank credit to the first generation entrepreneurs without the hassles of collaterals or third party guarantees. This initiative, however, is not finding any takers as is evident with the numbers. Since its inception in 2004, the Bangalore branch of Small Industries Development Bank of India (SIDBI) has got applications from only 150 companies.

When asked about such low numbers, G. Mendenco, manager of the bank said, "Even though we do not ask for a collateral we are still a bit wary about giving away loans considering the fact that even the security fees is also low, which we charge at only 0.75%."

This, when the government and SIDBI have jointly contributed Rs 1346.55 crore to the corpus. He also pointed out machinery as an important parameter to give loans.

Even though the scheme is for all micro-enterprises, it is not benefiting the startup Information Technology companies. Mendenco said, "In IT, investment is high and returns are not guaranteed. Moreover, manufacturing does not happen. We prefer giving loans to manufacturing companies." This

scheme covers all public sector banks under its ambit.

"The commercial banks do not mention about this particular scheme to their customers because it is too risk-prone. Hence, they give loans only when collateral is shown," Mendenco said. Hariharan, manager of Corporation Bank Mahatma Gandhi Road

In IT, investment is high and returns are not guaranteed. Moreover, manufacturing does not happen. We prefer giving loans to manufacturing companies. — G.Mendenco, Manager at SIDBI

branch echoed the sentiments of Mendenco. "We are supposed to give loans without asking for any collateral but at the end of the day we are a commercial bank and we cannot expect the Central Government to bail us out when a person defaults," he said.

This attitude of the banks has stopped Dayananda, Managing Director & CEO of a startup IT company, Daya Solutions Private Limited, from asking banks for loans. "If I had collateral worth so

much money I would have sold it and started my company rather than approach banks," he said.

A reason for low turnout for this scheme can be almost zero publicity. SIDBI talks about the fund to only to its customers and almost all others are ignorant about the existence of this fund. Mendenco expressed his views on this issue, "We do need to publicise this scheme because people are unaware of it. Advertisements in local language might increase awareness."

Arun Natarajan, managing director, Venture Intelligence, a Chennai-based private equity research firm reasoned the low popularity of this scheme as follows: "In general, entrepreneurs in IT and related industries are not very clued into the soft loans kind of products from government-backed institutions. Even if the awareness is there, IT entrepreneurs tend to make an automatic assumption that obtaining these sources of funding will mean dealing with red tape."

The banks still follow the European definition of a micro-enterprise, which says that micro-enterprises are those with 10 employees and a turnover of not more than two millions euros. In comparison, the micro-enterprise sector of India is much smaller in scale and hence, vulnerable.

Drop in interest for realty sector

NIKHIL K. VARGHESE

Bangalore—The interest for home loans may have dropped this quarter but many banks in metros have few takers said T.R Bhat, Manager Co-operation bank. October 2007 saw the finance minister lower the interest rates on home loans from 11.25 per cent by 70 basis points to 10.8per cent.

This was done to combat the lull in the real estate sector.

Banks like ICICI, SBI and Co-operation Bank had reduced the rates. While this move was initially welcomed, the fact that the reduction was negligible was illustrated by the static demand for housing.

A real estate consultant with Hanu Reddy Realty said that throughout India the slowdown has been visible, with the major impact being felt in Chennai, Bangalore, Delhi and Mumbai. "Single bedroom apartments cost anywhere between Rs 25 lakhs to Rs 40 lakhs in these cities; the customers often do not have that much capital. With 80 per cent of borrowers opting for floating rates of interest, the confidence level

among the investors is not that high".

In Bangalore, areas like Marathahalli and J.P Nagar 7th phase have apartments that still do not have 100 per cent occupancy. Two years ago every available flat was sold out almost immediately, added the consultant.

On the other hand, the real estate in tier two cities is faring a little better. Cities like Mysore have been rated in the top ten most livable cities in India, increasing their investment value. And while the costs have gone up, they are still affordable said the consultant.

On whether the move to drop interest rates of home loans while widening the portfolio would a trigger a "sub prime"-like crisis, Mr Bhat was of the opinion that the stringent background checks and the high real estate price would eliminate most risks of loan default.

High prices coupled with low demand have created a situation where prices can be haggled down. "This is only a dull phase, a correction was due. Real estate will continue to be a safe investment " said the hopeful realtor.



- Pic courtesy Google images

Dhirubhai Ambani — Mr. Reliable

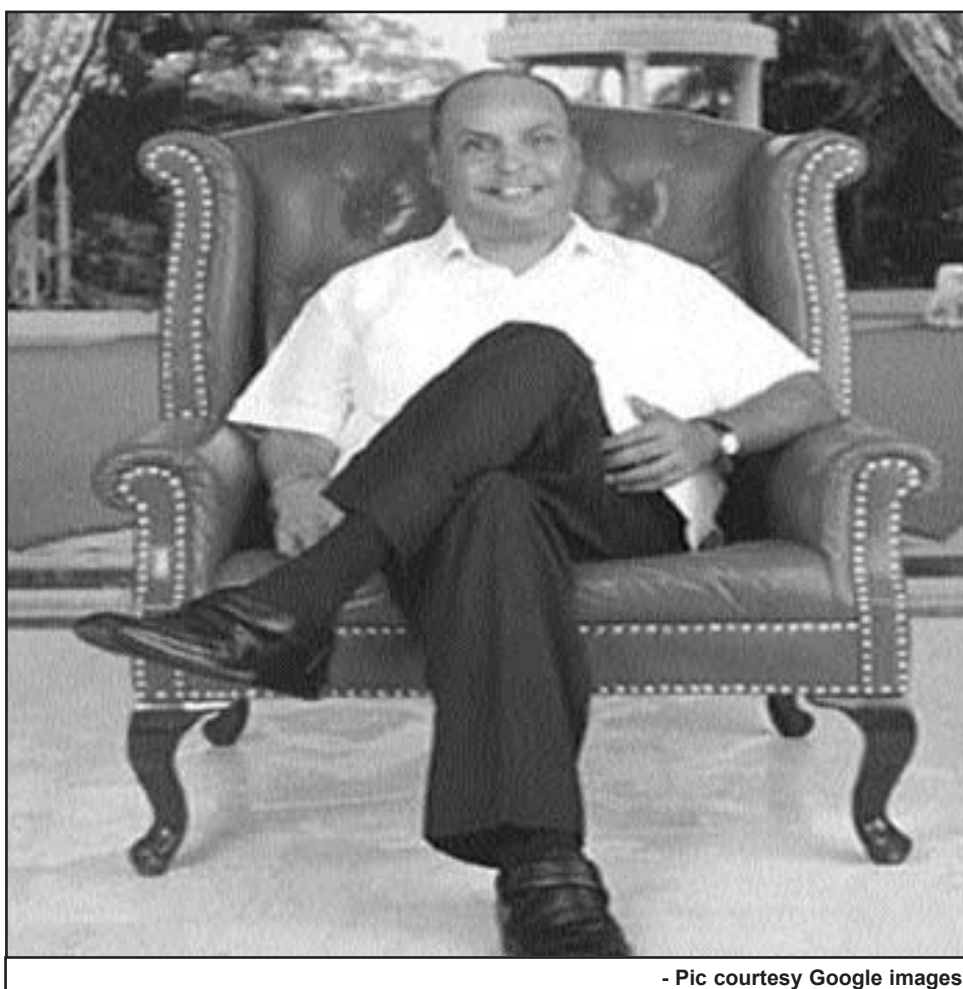
SADANANDA MOHAPATRA

All of us love to dream, to have luxurious life, to earn money in crores and to ride a Mercedes Benz. But how many of us make it a reality or at least half of it? However there was an Indian working for an oil company in Yemen, who dreamt of owning a company at his teenage. He worked for ten years there, returned to India and translated his dream into reality. He was none other than Dhirubhai Hirachand Ambani, the founder of Reliance Industries limited. The company now rules Indian stock market and has its sphere of presence in almost all sectors. And his son Mukesh Ambani ranks 2nd in the Forbes India's richest list.

The second son of a schoolteacher Dhirubhai, a Gujarati by birth, started his famous journey by working as a clerk in Shell Corporation at Yemen. After returning to India he married Kokilaben and started a company named Reliance Commercial Corporation with Rs.15,000 as capital. His second cousin Champaklal Damani, who worked with him in Yemen, also joined him. Initially the Reliance commercial corporation dealt with importing polyester and exporting spices. In the year 1966, they started a company called Reliance Textile Company, which is famous for its brand VIMAL suiting. For at least three decades Vimal was regarded and admired by Indians with high esteem.

One important event that made Reliance industries famous is its Initial Public Offering (IPO) to common Indians. With fast and fertile progress Dhirubhai managed to convince his shareholders that the amount

they were investing now would return more than double. And the result was, more than



- Pic courtesy Google images

58,000 across the country bought his shares in the year 1967. Dhirubhai noticed that if he focused on wealthy people, share price might

increase but investment would be low. A great visionary, he saw potentiality in huge

became examples later and epitomized Brand India in the global market.

The Reliance industries, now divided into two parts, is ruled by both of his son Mukesh and Anil respectively. The largest private company in India was parted because of some dissension of opinion and market strategy of the two sons. Immediately after the partition, Anil changed the name of the company to Anil Dhirubhai Ambani Group (ADAG), to differentiate his customers, and perhaps his shareholders. With the booming stock market regime now the Ambani duo rules Indian economy to some extent. The great Reliance empire has its business in petrochemicals, textiles, telecom, entertainment (BIG FM, ADLABS), retail chain (Reliance Fresh), electricity (Reliance Energy), finance (Reliance Money) etc. The only area where Reliance does not have its imprint is Software production and export.

Dhirubhai inspired and made Indians prosperous through his great vision, courage. He has influenced Indians so much that few years ago a movie based on his life was made by Bollywood. His company, though under parted sections, enjoys the same status in Indian market, or rather more than that it used to be. Besides this he is associated with some criticism. It is alleged that he manipulated and cheated Indian laws to make faster money. Some five or six years back reliance telecom was fined by Telecom Regulatory Authority of India for violating its regulation by showing STD calls as local calls. Still there is one mantra that Reliance believes as he always said: "Think Big, Think Ahead. Ideas are no ones monopoly."