

A FreeHand Book For Business Startups and Entrepreneurs

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**For Better Support Consult :
corporatebanker.org**

All About Business/SME Loans

WHAT IS BUSINESS LOANS?

If we have to put it in simple words then a Business Loan is thus an unsecured loan at an interest rate. It gives you access to credit that can be paid back over an agreed time along with the interest, without any security against it.

A business loan is debt that the company is obligated to repay according to the loan's terms and conditions, before approaching a lender for a loan, it is imperative for the business owners to understand how loans work and what the lender will want to see from the owner.

ELIGIBILITY FOR BUSINESS LOANS

In order to apply for a business loan, you will require the following documents-

- PAN Card for company, firm or individual
- Proof of ID, in the form of, copy of Aadhar Card, Passport copy, Voter's ID copy, driving license.
- Proof of address, in the form of, copy of Aadhar Card, Passport copy, Voter's ID copy, driving license.
- Bank statement (last 6 months)
- Latest ITR along with computation of income, balance sheet and P&L account for the last 2 years. All financials must be CA certified or audited.
- Proof of continuation (ITR/Trade License/Establishment/Sales Tax Certificate)
- Sole Proprietorship Declaration or certified copy of Partnership Deed
- Certified true copy of Memorandum and Articles of Association

FACTORS DECIDING BUSINESS LOANS INTEREST RATES

Credit Score: All applicants who have good credit score can walk into any bank to get a business loan and the better you score is you can avail more benefits and the interest rate will also depend on the same.

Time in Business: Irrespective of what type of business it is, the minimum operation period is of two years or more. The longer a business has been in existence the more is the probability of getting a loan.

Monthly Revenue: Return or income is always a key factor for any type of loan. For business loan the consistency is a main factor. All business has different revenue at different period, but having a consistency is crucial. Day-to-day balance is analyzed by banks to determine the loan amount and repayment capability.

Collateral: It is the security that is pledged with a bank to avail loan, the more the collateral value is, the benefits are more. This gives a security for the banks to offer bigger amount as the risk is low. The different types of collaterals are deposits, home equity, investment real estate and equipment.

DOCUMENTS REQUIRED FOR BUSINESS LOAN

The following documents are required along with your Business Loan application:

-PAN Card – For Company/Firm/Individual

-A copy of any of the following documents as identity proof:

- Aadhaar Card
- Passport
- Voter's ID Card
- PAN Card
- Driving License

-A copy of any of the following documents as address proof:

- Aadhaar Card
- Passport
- Voter's ID Card
- Driving License

-Bank statement of the previous 6-12 months (CC/Current/OD/Savings Accounts)

-Latest ITR along with computation of income, Balance Sheet and Profit & Loss account for the previous 2 years, after being CA Certified/Audited

-Proof of continuation (ITR/Trade license/Establishment/Sales Tax Certificate)

-Other Mandatory Documents [Sole Prop Certified Copy of Partnership Deed, Certified true copy of Memorandum & Articles of Association (certified by Director)& Board resolution (Original)]

**BUSINESS LOAN INTEREST RATES COMPARISON, BEST BUSINESS LOAN RATES Till
December 2017**

Banks	Lowest Business Loan Interest Rates	Processing Fee
SBI Business Loan	11.20%	From 2% to 3%
HDFC Bank Business Loan	15.50%	Starting from 0.99%, Max 2.50%
ICICI Bank Business Loan	12.15%	Starting from 0.99%, Up to 2%
Citibank	15.99%	Starting from 2%, Up to 3%
RBL Bank	20.00%	3% of loan amount
Tata Capital	13.50%	From 1.50% to 2.50%
Lendingkart	18.00%	1% of loan amount
Bajaj Finserv	14.00%	Upto 2% of loan amount
Kotak Bank	16.00%	Upto 2%
Bank of Maharashtra	14.50%	1% of loan amount, Min Rs. 1,000
Capital First	16.00%	1.99%
IndusInd Bank	14.00%	2.50%
Bank of Baroda	14.10%	Upto 1%
Fullerton India	16.00%	2%
IDBI Bank	13.00%	1%

Banks	Lowest Business Loan Interest Rates	Processing Fee
Allahabad Bank	11.10%	Rs. 229 – per lac, Min Rs. 2,038 Max Rs. 22,928
PNB	12.60%	1.8% + taxes
OBC	11.95%	0.50% Loan Amount
Indian Overseas Bank	14.090%	Rs. 204 per lakh
Dhan Laxmi Bank	13.15%	
DCB Bank	10.70%	2%
Andhra Bank	15.75%	Case to Case
United Bank of India	14.15%	1.15%
Corporation Bank	13.55%	1.5%, Min Rs. 500
Syndicate Bank	14.45%	0.5%, Min- Rs.500

WHY Corporate Banker FOR BUSINESS LOAN?

- Corporate Banker has collaborated with various public sector and private banks to offer customized personal loans for its users. Users can easily apply for business loan online with the help of Corporate Banker.
- Corporate Banker helps in calculation of loan and checks for the user's business loan eligibility instantly.
- Instant quotes are offered to the eligible loan applicant as per their profile and with discounted interest rates.
- Corporate Banker also allows users to compare the best deal by their own. Users can simply compare the

loan offers of various banks at different rates and can choose by their own with which bank they want to go for.

- Feedback shared by previous successful business loan applicants acts as a helpful tool for new applicants to get the best business loan deal.
- An instant e-approval is generated by Corporate Banker as soon as the user successfully submitted his/her business loan application
- All personal loan applications submitted with Corporate Banker are sent electronically to the concerned bank department assuring complete privacy and transparency.

HOW TO APPLY FOR BUSINESS LOANS

In 4 steps you can easily apply for business loan in no time

- Firstly, you have to fill a simple application form which will demand your basic business information given on the site (Corporatebanker.in).
- We already have a co-ordination with 30+ banks/NBFC to get your application to them.
- Compare interest rates by your own and choose the best one for you.
- We will send you an e-approval that your loan application is accepted within 24-48 hours and amount will be credited to your account.

Apply

- Fill simple application form.

Coordinate

- We are coordinating with 30+ banks / NBFCs to get your application.

Rates

- We get the best rates for you.

Approval

- Loan is approved and amount credited.

TIPS TO IMPROVE CHANCES OF GETTING LOAN FOR BUSINESS

Business loans are secured as well as unsecured in nature. In case of unsecured loans, banks have their own set of policies. If the borrower does not fulfil the eligibility criteria of the bank, the bank rejects his/her loan application. So, here are few tips which will help you to improve your chances of getting your loan application improved.

Improve Credit Score – First of all, identify the factors that have resulted in a low credit score. Credit score can be adversely affected due to late payment of credit card or default in outstanding loan EMI payments. Defaulting and late payments, both result in bad credit score. It is extremely important to maintain healthy credit repayment track record and make all your payments on time. Always ensure that you have adequate balance in your bank account to make ECS transactions.

Avoid multiple loan applications – Sometimes, you apply for loan with multiple banks in order to improve your chance of getting loan on time. However, applying for loan at multiple banks at the same time increases the chances of the loan being rejected as each query gets captured in your credit report. Customers are also unaware that any loan that is rejected by a bank, has a less chance of getting an approval at other banks as well. Banks tend to become more cautious in lending to customers who have been rejected by other banks.

Choose your Bank wisely – Research the banks which are offering best rates on business loan. Opt for a bank which offers fast service with low interest business loans. You must know also have a good sense of your loan eligibility and your ability to service loan repayments from your monthly cash flows. Negotiate and apply for a loan through online market places to get best deals on rates and processing fee.

Business Existence – Generally, banks give loan to companies with minimum business existence of 3 years. If your business is new and loss making, then the chances of your application getting approved is reduced.

Apply for a loan amount based on your repayment capacity – Determine the loan amount that you can easily repay in future. If you apply for a loan amount which is higher than your eligibility, it can create doubt in the mind of lender and lead to rejection of your loan application. So, make sure you choose the correct loan amount that you can comfortably service.

Maintain proper accounts and financial information- As a business entity, it is extremely critical that you have your GST registration in place. Also, it is advisable to keep audited record of your financial statements, as the same are an important set of documents referred to by the bank at the time of calculating your eligibility.

Regularly check your CIBIL Score: As a business entity which can need to borrow frequently from banks, it is advisable to access your credit score report on a regular basis and do regular timely corrections in your report.

LOWEST BUSINESS LOAN RATE ONLINE

If you are self-employed, then there could be a possibility that your reported income is lesser than your real income. Many banks and NBFC have specific programs which offer you a higher eligibility based on an estimate of your real income and not entirely on the basis of your reported income. If you visit a traditional bank for this loan, chances are that you will be eligible for a lower loan amount. There are few banks and NBFCs which offer surrogate products to calculate your correct eligibility and offer you highest loan amount based on your estimated income. Some of these popular loan products are:

- Banks consider banking surrogate program to define your eligibility. This helps in assessing your net income. Banks track your 1 year banking behavior to estimate your average bank balance. Your net income is the multiplier of your average monthly balance and if you well maintain your bank balance then it won't come your way to get your loan sanctioned.
- ITR program also helps to calculate eligibility in case you do not have audited financial statements of your company. Banks are strict to the fact that they need income tax report of past 3 years. ITR of 3 years is important to estimate your income, profit and losses of your business and other deductions. It also shows your tax refund or tax liability.
- Some banks offer turnover program in which your loan amount eligibility is based on the turnover of your company. Turnover eligibility can be different for different industry segments. Some banks consider

minimum annual turnover of Rs. 25 lakh for manufacturers and Rs. 50 lakh for traders. However, there are few banks and NBFCs which give small business loan for low turnovers and loan amount.

Industry margin is pre-decided by lenders for specific industry segment in which customer falls. Industry margin is used as a multiplier to the turnover of your company that helps in determining your income. Your income eligibility is calculated as: Industry Margin *

Turnover – Obligations. Your eligibility will be higher if your turnover is high. However, banks consider bank statement and Tax returns of 6 months to know your real income which is higher than what you have mentioned in books.

BUSINESS LOANS OFFERED BY SOME OF THE REPUTED BANKS IN INDIA

ICICI Bank – Get Quote for ICICI Bank Business Loans

- Cash credit /Overdraft for meeting working capital finance requirement.
- Export credit to provide pre-shipment and post shipment finance.
- Letter of credit to facilitate trade.
- For meeting performance and financial obligation, banks give you guarantee.
- Commercial assets and business expansion needs, term loans for purchase
- Loan amount- up to Rs 50.0 million for working capital and capital expenditure needs.
- ICICI Bank's base rate for fund based facility
- Low collateral requirement and lending available upto 3 times of the value of collateral.

HDFC Bank

- Designed to help businessmen involved in manufacturing, trading and the service industry.
- Loan amount upto Rs 15 lakhs and this amount can be upto Rs 30 lakhs in some selected locations.
- No collateral / guarantor / security required.
- Rack interest rate range 17.5% to 22%.

HSBC Bank

- Can choose from a range of finance options like export/import financing, discounting of export receivables, bank guarantees for business requirements, treasury line to manage cross currency transaction risk.
- Maximum loan amount upto Rs 10 crores
- MSE(Micro and Small Enterprise) can avail loans upto Rs 10 lakhs without collaterals.
- Flexible quantum and tenor of loans.
- Rate at the time of processing, Interest rate is calculated

SBI

SBI has an array of loan products for small and medium business enterprise-Manufacturing

SBI SME Collateral Free Loan-

- Borrowers eligible under the scheme will be covered under CGTMSE guarantee scheme.
- No collateral required.
- Maximum Loan amount upto Rs 1 crore.
- Maximum Repayment period is 7 years including moratorium period.

SME Smart Score

Available to small and medium enterprise units engaged in manufacturing, trade or services .

For manufacturing units the maximum loan amount is Rs 50 lakhs and for trade and services units the total limit is up to Rs 25 lakhs.

- Repayment period 5 years excluding moratorium not exceeding 6 months
- The interest rate is floating rate of interest and is linked to base rate.

Fullerton India

- Maximum Loan up to 30 lakhs without any collateral for self-employed businessman involved in Manufacturing, Trade and service
- Repayment period 12 to 48 months
- Pre-payment facility.

Bajaj Finserv

- Maximum loan amount upto Rs 45 lakhs
- No collaterals or guarantors required.
- Repayment period – 12 to 36 months.

RBI Bank

- Loan amount from Rs. 10 Lakhs upto Rs. 35 Lakhs
- Convenient loan repayment option of 12 to 36 months
- No security or collateral required to avail this loan
- Quick Turnaround Time

TYPES OF BUSINESS LOAN IN INDIA

1. Demand Loan

Demand loan can be recalled by the bank or other financial institution at any time. The borrower will have to repay it when bank demands even if it is within a short period of time (1 to 7 days) depending on the bank's policy on which the loan was given. Demand loans can be unsecured as well as secured in nature and comes at very fine pricing. These loans are usually obtained to overcome short-term working capital gaps. The maximum term for these loans is 12 months, after which they can be renewed.

2. Term Loan

If you want to acquire long-term assets like building, land, machinery, etc., you should go for a term loan. You can finance building, land, infrastructure creation, and

purchase of a building, renovation, purchase of machinery, equipment, capital infusion, and vehicles with a term loan.

Term loan comes with a fixed repayment schedule (monthly or quarterly). The interest rate may either be fixed or floating. Usually, the maximum tenure for a term loan is 3 years (in case of unsecured loan) and 15 years (in case of secured loan). The quantum of the loan may vary according to the borrower's need and eligibility.

3. Loan against Securities

If you have invested in any financial security like mutual funds, demat shares, fixed maturity plans, insurance policies, exchange traded funds, and saving bonds, you can avail loan against them to meet your business financial needs. You can use the funds raised by pledging financial securities for any purposes. Tenure of such loans is renewed every 12 months.

However, only those shares, insurance policies, and mutual funds can be pledged to raise funds which are approved by the bank.

4. Cash Credit Facility and Overdraft Facility

Cash credit loans are granted as overdrafts on the security of borrower's stock in

trade/raw materials/process. You can secure cash credit facility by pledging your current business assets such as inventory or receivables. Limit on cash credit withdrawal (which is usually 70-80%) is based on your drawing power which is calculated after deducting margin fixed by banks over the stocks. Lenders always ensure that the balance outstanding is lesser than the drawing power of the borrower. The tenure for this loan is renewed every 12 months. This facility is suitable for financing your working capital needs like inventory and receivables.

On the other hand, bank overdraft is a facility wherein the bank allows you to debit your current account below zero, up to a specified limit.

5. Letter of Credit (LC) Facility and Bank Guarantee

It is a type of credit facility wherein a bank provides a letter to the seller guaranteeing him/her that a buyer's payment will be received by the seller on time for the correct amount. If the buyer is unable to make payment for the purchase, the bank will cover the entire outstanding payment on certain conditions. Letter of credit facility is used in various domestic as well as international trade transactions to ensure sellers receive payment on time by the buyers even if they are operating in different nations and do not know each other.

COMMON REASONS FOR BUSINESS LOAN REJECTION

Bad credit score

It is a fact that your personal credit score does factor into a small business loan, even if your company has been in business for a while. If you can't manage your personal credit, the logic goes, how reliable will you be when it comes to paying back a business loan?

Not enough time in business

If you just have started your new business, you may not have built up enough of a business credit history to qualify for a small business loan. Note that vendors don't always report your payments to the business credit agencies automatically.

A risky industry

Some industries are simply considered risky by traditional lenders. Restaurants are a good example because they have a high failure rate. If this is why you were rejected, investigate lenders who specialize in your industry—they're out there.

Lack of collateral

Many traditional lenders require you put down collateral in order to obtain a business loan. If you don't have enough collateral or lack the right type of collateral, you may get turned down.

High debt utilization

Ideally, lenders want you to be using no more than 30 percent of the total credit available to you. If you use too much, you're overextended and they worry that you won't be able to pay them back.

Inadequate cash flow

Cash flow is one of the first things lenders look at when deciding whether to approve a small business loan. They want to know that you have enough cash flow to not only cover your business expenses, but also pay back the loan and still have a cushion. If your cash flow is spotty or you regularly experience seasonal slumps, that's a red flag.

Not asking for enough money

It sounds counterintuitive, but often, the more money you ask for, the more likely you are to obtain a bank loan. For banks, the cost of servicing small loans (under Rs 100,000) is often prohibitive when compared to the return.

Incomplete application/paperwork

There are many reasons Business loan applications are denied is that the applicant didn't complete the application correctly or didn't provide all the necessary backup information.

7 EASY STEPS TO AVOID REJECTION OF PERSONAL LOAN APPLICATION

You can avoid rejection of your personal loan application by following a few steps:

- Compare and choose the product best suited for your needs and means. If the bank feels you would not be able to pay for the loan you asked for, you'll not get the loan.
- Check your eligibility for the chosen product. Do not apply for any and every loan that you might not be eligible for. Too many rejections will reflect badly on your credit history.
- Try and find out as much information as you can about the loan you are applying for, the interest rates, processing charges, repayment methods etc.
- Submit all the required documents and cooperate with the verification process. Make sure all the information provided in the application are correct and match with the corresponding documents.
- Do not agree to become a loan guarantor for anyone.
- Make sure your credit score remains good – don't overborrow, pay your bills on time and in full, don't miss EMI payments, pay your taxes on time, file for returns, don't take multiple loans and use your credit cards wisely.

- Check your Credit Report at least 6 months before applying for a loan. If there's some discrepancy, get it corrected. If the score is not good enough, take measures to make sure that the score gets past 750 for a better chance at loan approval.

DO'S AND DON'TS WHILE TAKING A BUSINESS LOAN

Do's

DO use a reputable lender-

Nowadays you don't need to rely on the bank to get a business loan. Thankfully, because large financial institutions are notorious for turning small business owners away.

DO borrow what you need when

you need it-Apply for a loan as you need it. Don't hold up your business success because you don't have the cash to expand. Get your loan right away and grow your business!

DO get multiple quotes-Compare quotes from top lenders to find the right loan for your business.

Don'ts

DON'T take out more than one loan at a time.

Take out just one loan at a time.

Overextending your debt with multiple loans can put your business at risk.

DON'T focus only on interest rates.

Focus on other important criteria such as loan terms, flexibility, and loan requirements.

DON'T put your business assets at risk. There are many unsecured loan options from alternative lenders whereby you don't need to provide security for a loan. No security means your business assets are never at risk.

THINGS TO DO BEFORE APPLYING FOR SMALL BUSINESS LOANS

The borrower has to consider all costs associated with setting up a new unit such as product inventory, manufacturing equipment and raw materials. Other costs include establishing legal structure and trademarks in addition to several administrative costs such as business insurance, postage, product packaging, utilities and rent. In this day and age, one has to also consider costs associated with computer hardware and software, maintenance

Different banks have different requirements to provide small business loans with the exception of some basic documentation.

- Some of the financial documents requested by most banks include financial statements of the past two or three years, balance sheets, income statements in addition to the current financial statements.
- Also, one has to maintain records of accounts payable and accounts receivable among others.
- Companies should review their business profiles, analyze their credit requirement and work on a blueprint on how to payback their loans.
- The lender may ask the borrower to not only submit a profile of the company in terms of its size and products but also profiles of owners or members of the management.
- The borrowers may enquire about the kind of industry the business unit caters to, product(s) or service(s) offered, annual sales, growth estimates, headcount in terms of the total number of employees in the business unit, the estimated volume of customers, account keeping, and delivery mechanisms among many others.



FOR FURTHER INFORMATION : VISIT – www.CorporateBanker.org