

FAQs (Frequently Asked Questions)

How are SMEs (Small and Medium Enterprises) defined?

A Small Enterprises (SE) is a business concern which meets the following parameters:

- Number of Employees: Up to 50 (including contract employees)
- Annual Sales Turnover: Up to Rs. 150 M

The concerned entity has to fulfill both the criteria of number of employees and sales turnover for categorization as small enterprise. However, in cases where an entity fulfills one parameter of SE and its second parameter falls within the range prescribed for medium enterprise (ME) or above the upper limit prescribed for ME

then the subject entity shall be classified as ME or commercial/corporate entity as the case may be.

A Medium Enterprises (ME) is a business concern which meets the following parameters:

- Number of Employees*: 51-250 (Manufacturing & Services MEs)
51-100 (Trading MEs)
*including contract employees
- Annual Sales Turnover: Above Rs. 150 Million and up to Rs. 800 M (All types of MEs)

Further, an organization/a firm has to fulfill both the criteria of number of employees and sales turnover for categorization as medium enterprise. However, when an entity's one parameter is as per ME criteria and its second parameter is as per SE criteria, than subject entity would be categorized as ME. Similarly, when an entity's one parameter is as per ME and its second parameter is above the upper limit prescribed for ME, then the subject entity shall be categorized as commercial/corporate entity.

Which firms/companies need facilities from bank's SME unit?

SME Unit in a bank is established to address the financing requirements of Small Medium Enterprises.

What financial services/facilities can one avail from bank's SME unit?

Fund Based

1. Murabaha
2. Ijarah
3. Diminishing Musharaka

Non-Fund Based

4. L/G Facility

5. L/C Facility

How much amount can I seek from the Bank?

Bank's SME Units can provide financial assistance from Rs.50,000.- up to an amount of Rs.100 Million. However borrowers have to meet the debt: equity ratio of at least 60:40

What does debt: equity ratio of 60:40 indicate?

It indicates that at least 40% of the firms/companies/borrowers financing should come from them in the form of equity. Up to 60 % would be financed by Bank SME Unit.

Does Bank SME Unit charge Profit?

Yes. The amount customers pay in addition to finance amount is called the 'profit'.

What is the profit rate?

It is market based and depends upon the expected cash flows. It varies from business to business.

What kind/type of security bank SME Unit needs from the applicant?

Security may vary from business to business. In most cases, it is mortgage of urban property along with personal guarantees.

How are the installments determined/calculated?

Based upon the profit rate and the cash flow of the proposed firms/companies, the client/borrower is provided a complete repayment schedule at the time of disbursement of sanctioned amount.

What is the repayment period? Is there any grace?

The repayment period usually varies from three to five years; however it is linked to the cash flows of the firms/companies. Generally the payments are made in the form of monthly installments. Grace period depends on the type of enterprise.

What is the loan application process?

1. Fill up SME Bank's loan/facility application form (attached)
2. Attach the required documents

How can I obtain the application form?

These are available on Islamic Banking webpage