



**INSTITUTE OF MANAGEMENT NIRMA NIVERSITY**

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**Final Report**

**Disrupting Credit in MSME Lending**

**Summer Internship Program**

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## **Acknowledgement**

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## **Executive Summary**

Aavas Financiers Limited is engaged in the business of providing loans, primarily in the un-served, unreached and under-served market. AAVAS provides loan to customers belonging to low and middle income segment in semi-urban and rural areas. These are credit worthy customers who may or may not have the income proof documents like IT return, salary slip and hence are financially excluded by other large housing finance companies and banks.

MSME Lending is at inflection point and can be the next engine of growth. A significant barrier to growth has been the lack of adequate and timely access to formal credit which has constrained its growth.

The objective of the study is to explore opportunities in Retail MSME Lending & develop a comprehensive strategy to tap untapped, unbanked, and underserved MSME Segments in geographies with low competitive intensity.

Both quantitative and qualitative approach was followed while making the product. Quantitative was related to understanding the scope of MSME sector, scope of the industry chosen (Homemade Food Products Industry), scope of MSME within the industry, bifurcation of the cost and revenue of the industry. Qualitative was related to analyzing the above data and to understand the flaws within the data and to understand the future prospect of MSME within the textile industry. Industry specific data was collected from primary sources and therefore was analyzed on its correctness. A total of 48 interviews were conducted to understand about the industry.

The food industry is ever growing industry. The demand is increasing is not only in metropolitan city but also rural cities. The current system fails to assess credit worthiness of a MSME businesses as majority of the transactions are in cash. Hence the product was designed to tap underserved and unbanked food industry MSME.

(Word Count: 292)

## **PART A**

### **Profile of the Organization**

## **Aavas Financiers Limited**

AAVAS FINANCIERS LIMITED (Formerly known as “Au HOUSING FINANCE LIMITED”) was originally incorporated as a private limited company at Jaipur, Rajasthan, under the name of "Au Housing Finance Private Limited" on February 23,2011.

Company got registered with National Housing Bank (subsidiary of Reserve Bank of India) as a Housing Finance Company (HFC) and awarded the license from National Housing Bank (NHB) in August 2011.

It formally started its operations in March, 2012. Subsequently, the name of the Company was changed to "Au Housing Finance Limited" due to conversion from a private company to a public company on January 10, 2013.

AAVAS is engaged in the business of providing housing loans, primarily in the un-served, unreached and under-served market which include the States of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Uttar Pradesh, Chhattisgarh, and Delhi.

### **Business Segment**

AAVAS is primarily engaged in the business of providing housing loan to customers belonging to low and middle income segment in semi-urban and rural areas. These are credit worthy customers who may or may not have the income proof documents like IT return, salary slip and hence are financially excluded by other large housing finance companies and banks. AAVAS uses unique appraisal methodology to assess these customers individually. The financing solution need to be appropriated and suitable to them.

AAVAS is engaged in the business of providing housing loan to customers belonging to low and middle income segment in semi-urban and rural areas. These are the people who are either self-employed, running small businesses like providing transportation facilities in auto rickshaw or other vehicles, running grocery shops, tiffin centers, beauty parlours and other businesses or these customers are carrying out business of agri or animal husbandry products in rural areas or salaried class people who are carrying out small jobs in private or public sector.

These are credit worthy customers that lack financial inclusion because of underdeveloped banking facilities or due to lack of documents like IT returns, salary slips, etc. and hence are

excluded by other mortgage companies. AAVAS uses a unique appraisal methodology to assess these customers individually and delivers tailor-made financing solutions.

### **Area of Operations**

AAVAS caters the needs of various small families in rural areas, towns, and a city's peripheral area and other semi-urban areas to meet their life time dream to own their own house.

Presently AAVAS is operating in 11 states namely Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi, Uttar Pradesh, Chhattisgarh, Haryana, Uttarakhand, Himachal Pradesh and Punjab.

### **Products**

AAVAS is engaged in 3 types of products mentioned below under its housing finance business:-

- **Finance for Purchase**

The product is designed to purchase individual dwelling units, flats in low cost buildings, detached and semi-detached units, cluster units, and residential units. This is also applicable for properties under construction or ready built property.

- **Finance for Construction**

The product is designed to offer loans for construction on a plot of land, which has been already acquired.

- **Finance for Home Extension**

This product is designed to offer loans to individuals for extension of an existing home unit, which can include construction of additional rooms, floors etc.

AAVAS also launched "Special Urban Low Income Housing Product" and "Specific Women Ownership Product" in line with NHB's refinance scheme for the Special Urban Housing Refinance Scheme for Low Income Households and Refinance Scheme for Women.



## **Non-Banking Financial Companies (NBFC)**

Non-Banking Financial Companies (NBFCs) are businesses that offer financial services and banking services but do not fulfill the legal definition of a bank. They are governed by the Reserve Bank of India's banking laws and provide banking services such as loans, credit facilities, TFCs, retirement planning, investing, and money market stocking. They are, however, prohibited from accepting any type of deposit from the general public. These groups play an important role in the economy, providing services in both urban and rural areas, and awarding loans to help new businesses expand.

The Reserve Bank of India has classified NBFCs based on the operations they carry out and whether or not they accept deposits. The RBI issues licenses to a variety of non-banking financial companies. Asset finance companies, investment companies, infrastructure finance companies, housing finance companies, and micro finance companies are all examples of NBFCs.

NBFCs also offer a variety of financial services, such as chit-reserves and advances. As a result, it has become a highly important portion of our nation's Gross Domestic Product, with NBFCs alone accounting for a 12.5 percent increase in our country's GDP. Most individuals prefer NBFCs to banks because they are safer, more efficient, and faster in aiding with financial needs. Furthermore, a variety of loan packages are offered, and their services are flexible and transparent.

### **Difference between banks and NBFC's**

NBFCs lend and invest, therefore their operations are similar to those of banks; nevertheless, there are a few differences, as listed below:

- NBFCs cannot accept demand deposits
- Being not part of the payment and settlement system NFC cannot issue checks drawn on themselves
- Unlike banks, NBFC depositors do not have access to the Deposit Insurance and Credit Guarantee Corporation's deposit insurance facility.

**PART – B**

**PROJECT WORK**

## **Micro, Small and Medium Enterprises (MSME)**

Over the last five decades, the Micro, Small, and Medium Enterprises (MSME) sector has emerged as a highly vibrant and competitive sector of the Indian economy. It makes a major contribution to the country's economic and social growth by encouraging entrepreneurship and creating broad employment opportunities at a low capital cost, second only to agriculture. MSMEs serve as ancillary units to large enterprises, and this sector contributes significantly to the country's inclusive industrial growth. MSMEs are expanding their sphere of influence across the economy, producing a diverse range of goods and services to meet the needs of both domestic and international markets.

In collaboration with concerned Ministries/Departments, State Governments, and other Stakeholders, the Ministry of Micro, Small, and Medium Enterprises (M/o MSME) envisions a progressive MSME sector by promoting growth and development of the sector, including Khadi, Village, and Coir Industries, by providing support to existing enterprises, adopting cutting-edge technologies, and encouraging the creation of new enterprises. Financial assistance, technological assistance and up gradation, infrastructure growth, capability development and training, improving productivity, and business assistance are all programmes managed by the Ministry of MSME.

State of Uttar Pradesh had the largest number of estimated MSMEs with a share of 14.20% of MSMEs in the country. Top 10 States accounted for a share of 74.05% of the total estimated number of MSMEs in the country.

Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounted for 0.52% and 0.01% of total estimated MSMEs, respectively. Out of 633.88 estimated numbers of MSMEs, 324.88 lakh MSMEs (51.25%) are in rural area and 309 lakh MSMEs (48.75%) are in the urban areas.

Sl. No.	State/UT	Estimate Number of MSMEs	
		Number (in lakh)	Share (in %)
1	Uttar Pradesh	89.99	14
2	West Bengal	88.67	14
3	Tamil Nadu	49.48	8
4	Maharashtra	47.78	8
5	Karnataka	38.34	6
6	Bihar	34.46	5
7	Andhra Pradesh	33.87	5
8	Gujarat	33.16	5
9	Rajasthan	26.87	4
10	Madhya Pradesh	26.74	4
11	Total of above ten States	<b>469.36</b>	<b>74</b>
12	<b>Other State/UTs</b>	<b>164.52</b>	<b>26</b>
13	<b>All</b>	<b>633.88</b>	<b>100</b>

[Fig. 1 State wise distribution of MSME's](#)

MSME sector has been creating 11.10 crore jobs (360.41 lakh in Manufacturing, 0.07 lakh in Non-captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.22 lakh in Other Services) in the rural and the urban areas across the country. Micro sector with 630.52 lakh estimated enterprises provided employment to 1076.19 lakh persons that in turn accounts for around 97% of total employment in the sector. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs provided employment to 31.95 lakh (2.88%) and 1.75 lakh (0.16%) persons of total employment in MSME sector, respectively. Out of 1109.89 lakh people employed in MSME sector, 844.68 (76%) are male employees and remaining 264.92 lakh (24%) are females.

### Criteria of MSME

	Micro	Small	Medium
<b>Investments</b>	Less than 1 crore	1 to 10 crore	Less than 50 crore
<b>Annual turnover</b>	Less than 5 crore	5 to 50 crore	Less than 250 crore

[Fig. 2 Composite criteria for Mfg. and Services](#)

As per Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities; 196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission<sup>1</sup>, 230.35 lakh in Trade and 206.85 lakh in Other Services.

### Contribution of MSME to country's GDP

Year	Total MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	All India GDP	Share of MSME in All India GDP (in %)
2014-15	3658196	-	11504279	31.80	12467959	29.34
2015-16	4059660	10.97	12574499	32.28	13771874	29.48
2016-17	4502129	10.90	13965200	32.24	15391669	29.25
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.50	18971237	30.27

[Fig. 3 MSME's contribution to India's GDP](#)

Via business developments, Micro, Small, and Medium Enterprises (MSMEs) have made major contributions to the expansion of entrepreneurial endeavors. MSMEs are expanding their sphere of influence across the economy, producing a diverse range of goods and services to meet the needs of both domestic and international markets.

Micro, Small, and Medium Enterprises (MSME) have the ability to boost the nation's socioeconomic development by addressing the country's local unemployment issue. In terms of economic imbalances, this would reduce inequality between geographical areas even more. Furthermore, the inclusive trend of sustainable growth in the MSME sector would create local job opportunities, reducing the population load in megacities.

The World, on the other hand, is at war with the most recent abomination, COVID-19. This is a bio-war scenario in which the whole planet has been lost. It's also difficult to fulfill the complex ability requirements of MSMEs that span several sectors horizontally and vertically. The Ministry is working to meet the needs of the different sectors by offering various level courses through its training institutions spread across the country.

## **Home Made Food Products Industry**

There is huge potential for homemade food products; demand is ever increasing from not only hostellers & working youth professionals but also from working woman in cities. Homemade food is the best and even more delectable and delicious than restaurant meals because it is more hygienic. It makes us feel as if we are eating food prepared at home. Because it is difficult for office workers to cook and bring cooked food to work due to their busy schedules, they prefer to order homemade cuisine rather than restaurant cuisine.

We have selected to focus on homemade food products businesses operating in untapped, unexplored and underserved geographies that do not have access to formal credit.

Non-Bank Lenders who seek to capitalize on this opportunity are more likely to succeed by taking steps to align themselves with the needs of this business:

- Segment the market, tailoring lending products and processes to a differentiated customer base.
- Leverage supply chain ecosystems and e-commerce platforms to facilitate customer acquisition.
- Embrace next-generation data analytics to manage risk, improve underwriting, and create more customized offerings.
- Design tailored customer journeys to drive adoption and loyalty and improve lending outcomes.

### **Introduction**

#### **A. Nature of Problem**

MSME Lending is at inflection point and can be the next engine of growth. We believe we can create a niche and ride the next wave of growth in hugely untapped and underserved MSME Segment in geographies with low competitive intensity with secular growth drivers with a significantly large underserved and underbanked population having limited access to credit.

A significant barrier to growth has been the lack of adequate and timely access to formal

credit which has constrained its growth.

Today, roughly 40 percent of India's MSME lending is done through the informal sector, where interest rates are at least twice as high as the formal market.

Consider these numbers:

1. India has 6.38 Crore MSMEs contributing 30% of GDP and 40% of Total Exports & employing 111 million
2. MSMEs account for only 25% of Formal Credit i.e. 25 Lakh Crs out of Total Credit of 101 Lakh Crs
3. MSMEs receive just 6% of Bank despite 30% share of GDP
4. Out of Total 45 Lakh Crore MSME Credit Demand, there is a credit gap of 20 Lakh Crores
5. Of the 6.38 crore MSMEs in the country, only about 8 per cent are served by formal credit channels, due to lack of documentation, under-reported financials, parallel economy

### **B. Objective of the Study**

To Explore opportunities in Retail MSME Lending & develop a comprehensive strategy to tap untapped, unbanked, and underserved MSME Segments in geographies with low competitive intensity.

### **C. Utility of the Study**

On the basis of the study and research a suitable product can be designed to capitalize the opportunity to tap unbanked and underserved industry sectors of the MSMEs in India by catering financial need of the sector.

## **Methodology**

### **A. Approach**

Both quantitative and qualitative approach was followed while making the product.

Quantitative was related to understanding the scope of MSME sector, scope of the industry chosen (Homemade Food Products Industry), scope of MSME within the industry, bifurcation of the cost and revenue of the industry.

Qualitative was related to analyzing the above data and to understand the flaws within the data and to understand the future prospect of MSME within the textile industry.

### **B. Source of Data**

Overview of the MSME sector and homemade food products industry was taken from the secondary sources, so that we can get a better understanding at the start of the product development.

After that the industry specific data was collected from primary sources and therefore was analyzed on its correctness.

### **C. Method of Data Collection**

Data was collected by a way of conducting primary interviews from the key stakeholders of the industry to understand the scope and size of the MSME sector.

### **D. Size of Samples**

Data was collected from the industry people in Mumbai due to a vast scope of Food products MSME in Maharashtra. A total of 48 interviews were conducted to understand about the industry.



## **Context of the Industry Problem**

MSMEs contribute 45 percent of industrial production, 40 percent of exports, employ 111 million people, generate 1.3 million jobs annually, and manufacture over 8000 high-quality items for the Indian and worldwide markets. The contribution of MSMEs to GDP is 30%. In India, there are around 6.38 crore MSME units.

Despite the sector's importance in India's economic growth, it is confronted with problems. The following is a list of issues that existing/new businesses in the MSME sector face:

1. A lack of sufficient and timely banking financing
2. Insufficient cash and skills
3. Lack of appropriate technology
4. Limited manufacturing capacity
5. Ineffective marketing approach
6. Modernization and growth constraints
7. There is a scarcity of trained labor at a reasonable price.

A significant barrier to growth has been the lack of adequate and timely access to formal credit which has constrained its growth.

Today, roughly 40 percent of India's MSME lending is done through the informal sector, where interest rates are at least twice as high as the formal market.

## **Presentation of data**

Business loans, like most good things, aren't easy to get by. They carry a higher risk for the lender than a personal loan, resulting in tougher eligibility conditions. Many entrepreneurs want to get a business loan, but aren't sure if they fit the standards. Most firms experience times when they need to rely on outside resources to stay afloat, especially when they're just getting started or intending to expand. Whether the funds originate from the owner's personal funds, accumulated business profits, or outside funding sources, they provide the lifeline that

keeps the business afloat when expenses exceed revenue for an extended period of time.

A tiny business is a riskier investment than a mature company. Investors and lenders can analyze business risk since the mature business has assets for collateral and a predictable cash flow. A start-up business' risk profile is significantly more difficult to measure by its very nature.

Understanding the distinct business and financing characteristics of early stage and expansion stage financing, as well as the many phases within each cycle, is critical.

**Credit period:** As such there are no standards about the credit period in homemade food products industry as it varies from retailer to retailer and also from wholesaler to wholesaler. It also depends on turnover as it is very informal and unorganized business. Generally it varies from 7 days to 21 days.

**Working capital:** One of the distinct features of homemade food products industry is the flexibility of working capital. Depending on clients, whether it is wholesaler or retailer, and turnover you can start with as less as around Rs. 10000. Ideally it is expected to have working capital around Rs. 30000 to 50000.

**Capital is required,** mainly, for procuring new machines and for working capital to run day to day activities of businesses. The requirement of machine depends on:

1. final food product
2. raw material required for the intermediary step of processing
3. type of raw material; hard material like coconut or brittle as dry turmeric
4. required degree of processing; grains required fine grinding while spices requires mild grinding
5. density of material; mango and lemon pickle
6. viscosity of the material; papad dough is very much dense compared to idli/dosa

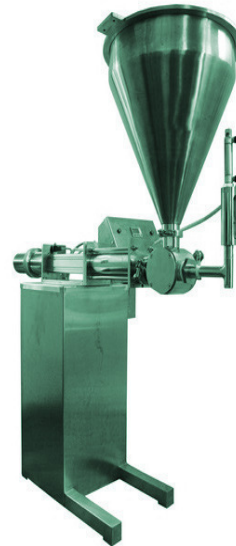
batter

There are variety of machines namely Filling machine, Grinder, Mixer, Cutter, Sealing machine, Weighing machine, Flour mill, Dough mixer, Besan mixing machine, Poori/papad making machine, Peeling machine, Wafer machine, Frying machine and Pulvarizor.

**Machine:** Filling machine

**Purpose:** The filling machine is used for filling the product in container which could be sachet/bottle. There are different varieties of machines depending on the type of product like liquid, powder or semi-solid.

The image shown here is machine used for semi-solid product like mango pickle and lemon pickle. This machine, working in semi-automatic fashion, fills the pre-set quantity of pickle in the bottle. Its capacity is 25 bottles per hour and it has 2hp of power. It is of stainless steel material. The automatic machine comes with conveyor belt which enables the filling of bottles without human intervention. After filling, all the bottles get collected in the specific container and can be used for further processing like labeling.



**Cost:** The semi-automatic machine costs around Rs. 3.5 lakhs while automatic machine costs ranges between Rs 4 to 12 lakhs.

**Machine:** Flour mill

**Purpose:** It is used for grinding grains like wheat, rice etc. and spices. The required degree of grinding can be set depending on whether it is grains or spices. It is made up of mild steel. Its capacity is 80 kg per hour. It requires power of 2hp. The image shown here is a multipurpose machine meaning that it can be used for grinding both grains and spices.

**Cost:** Rs. 1 lakh onwards



**Machine:** Mixer

**Purpose:** It is heavy duty mixer used for grinding hard material like coconut, dry dates. It can also be used for smashing tomato, lemons etc. These kinds of heavy duty mixers are used for processing bulk material. It is made up of stainless steel and it requires power of 2 HP. It also comes in variety of capacity.

**Cost:** Rs. 18000



**Machine:** Cutting machine

**Purpose:** The cutting machine is used for cutting of hard raw material like coconut, dry dates in large quantity. It is made up of stainless steel. It has different kind of blades as blades usually used in grinding machine are meant to grind only soft material like pulses and grains. It is semi-automatic machine having capacity of 50 kg per hour and it requires power of 2hp.

**Cost:** Rs. 45000



**Machine:** Sealing machine

**Purpose:** It is used for sealing (packaging) of plastic sachets. It works on electric power. It comes in variety of sizes like sealing of up to 5kg of sachets, up to 10kg of sachets and so on. The image shown here is sealing machine having capacity to seal a sachet of up to 10kg. it works in semi-automatic fashion.

**Cost:** Rs. 25000 to 90000



**Machine:** Weighing machine

**Purpose:** It is used for weighing raw material and finished products. It requires electric power. It comes in varying capacity like 5 to 50kg of capacity, 10 to 100 kg of capacity and so on. The image shown here is of weighing machine having capacity of 15 to 150 kg.

**Cost:** Rs. 7000 to 13000



**Machine:** Batter Mixer

**Purpose:** It is used for mixing Idli/Dosa batter. Idli/Dosa batter has dedicated machine as it requires mild mixing. The semi-automatic machine has capacity of 5 to 40 kg while automatic machine has capacity of 20 to 100 kg. Both the machines require 2hp of power.

**Price:** The semi-automatic machine costs around Rs. 40,000 to 55,000 where as automatic machine costs Rs. 5.5 lakh onwards.



Some other machineries are:

<u>Machine</u>	<u>Purpose</u>	<u>Capacity</u>	<u>Mode</u>	<u>Cost (RS.)</u>
<b>Dough mixer</b>	It is used for papad dough mixer. It requires dedicated machine as it is highly dense and viscous material.	50 to 80 kg	Semi-automatic	55000
<b>Papad/poori making machine</b>	It is used for poori (chat) and papad making.	40 kg	Automatic	70000 onwards
<b>Pulvarizor</b>	It is used for grinding of pulses and spices; specifically required in gravy.	40 kg	Semi-automatic	25000 onwards
<b>Peeling machine</b>	It is used for peeling of potatoes.	25kg	Semi-automatic	15000 to 32000
<b>Wafer machine</b>	It is used for making potato or banana wafer, kurkure etc.	30-40kg	Semi-automatic	20000 onwards
<b>Frying machine</b>	It is used for frying wafers, kurkure and other snacks.	30-50 kg	Semi-automatic	95000 onwards
		60-80 kg	Automatic	3 lakh onwards

## Product Details

<b>Types of machines</b>	Filling machine, Sealing machine, Flour mill, Mixer, Cutting & Grinding machine, Weighing machine, Batter & dough mixer, Pulvarizor, Poori making machine, Papad & Chapati macking machine, Peeling machine, Wafer machine, Frying machine	Filling machine, Flour mill, Batter mixer, Poori making machine, Papad & Chapati macking machine, Frying machine
<b>Cost</b>	50K- 4 lakhs	4-10 lakhs
<b>Mode</b>	Semi-automatic	Automatic
<b>Tenure</b>	Maximum tenure 7 year	Maximum tenure 7 year
<b>LTV (Loan to Value)</b>	<ul style="list-style-type: none"> <li>• 50% of value of SORP</li> <li>• 40% of value of SOCP</li> </ul>	<ul style="list-style-type: none"> <li>• 50% of value of SORP</li> <li>• 40% of value of SOCP</li> </ul>
<b>Collateral</b>	<ul style="list-style-type: none"> <li>• SORP (Self occupied rented property)</li> <li>• SOCP (Self occupied commercial property)</li> </ul>	<ul style="list-style-type: none"> <li>• SORP (Self occupied rented property)</li> <li>• SOCP (Self occupied commercial property)</li> </ul>
<b>ROI</b>	Minimum 14-16%	Minimum 14-16%
<b>Disbursement</b>	Should be in favor of only seller	Should be in favor of only seller
<b>Income documents</b>	<ul style="list-style-type: none"> <li>• Bank statement of current account</li> <li>• 2 years TR/Financials/accessed income</li> </ul>	<ul style="list-style-type: none"> <li>• Bank statement of current account</li> <li>• 2 years TR/Financials/accessed income</li> </ul>
<b>Additional documents</b>	<ul style="list-style-type: none"> <li>• GST registration certificate</li> <li>• Udhyog Adhaar registration</li> <li>• Rent premises agreement</li> </ul>	<ul style="list-style-type: none"> <li>• GST registration certificate</li> <li>• Udhyog Adhaar registration</li> <li>• Rent premises agreement</li> </ul>



The product is roughly bifurcated as semi-automatic machines and automatic machines. Generally semi-automatic machine ranges from Rs. 50,000 to Rs. 4,00,000 lakhs while automatic machine ranges from Rs. 4,00,000 to Rs. 10,00,000. Besides the mode, semi-automatic and automatic, cost of the machine depends on the capacity. The tenure of credit will maximum of 7 years. It should be noted only secure loans will be granted. Secure loan will be approved for SORP (Self occupied rented property) and SOCP (Self occupied commercial property) subject to maximum loan value of 50% of SORP and 40% of SOCP. The rate of interest will be minimum 16%. The disbursement of credit will be processed only in favor of seller. Bank account statement and previous 2 years Income Tax Return will be required for the income proof. In case of absence of Tax Return assessed income will be considered. Besides income proof other documents will be required which include GST registration certificate and Udyog Aadhar registration.

### **Lead Generation**

We tried to generate lead for the Diagnostic Machine Loan Product using cold calling. Cold calling is effective technique as it us into direct contact with clients. It is also helpful in case where other advertising strategies prove ineffective. To cover broader market we contacted 69 distributors, out of which 3 distributors responded positively. It is very likely that it would be converted in near future.

## **Analysis and Discussion**

### **Conclusion**

Majority of the capital required in food industry is for procuring machines used for variety of tasks such as processing, mixing, grinding, packaging and sealing. It is very challenging for food businesses to survive on barley labor efforts as, without machines, it is not possible to expand or streamlined the process or to even continue over a long term.

### **Inference**

The food industry is ever growing industry. The demand is increasing is not only in

metropolitan city but also rural cities. The major hurdle faced by homemade food industry businesses is lack of access to formal credits. The current system fails to assess credit worthiness of a MSME businesses as majority of the transactions are in cash. Hence it is required to design the product to tap underserved and unbanked food industry MSME. The product should be designed in such a way that not only caters the need of food businesses but also provides economical viable means for the growth of organization providing credit to MSME's.

**PART - C**

**LEARNINGS**

## Learning's from Internship

The summer internship at Aavas Financiers Limited provided me challenging opportunity as it involved diverse role including Research analysis, Product development and Lead generation. It has sharpened my theoretical knowledge that I had acquired in first year of MBA.

- The most important learning from summer internship is realizing significance of preliminary research before entering into market.
- Understanding ground reality is crucial as it is beyond theory. No business can succeed without understanding the market.
- Understanding the need of market is the core of product development. What's the point in making a product which is unable to fulfill the need of customer?
- Gaining hands on experience on segmentation and targeting. Recognizing the potential of Home made food products industry was crucial milestone in summer internship.
- Awareness of competitors and their strategies is important when it comes to survival of business. Today's dynamic world requires continuous outperforming the competitors.
- Analysis of the gap between demand and supply; formal sector cannot fulfill capital requirement of micro sector.
- Studying the challenges faced by competitors and analyzing whether we can capitalize on that or not.
- Etiquettes like being punctual, communicating in right tone, meeting deadline, appropriate dress code are utmost important.
- You will be unnoticed if you don't know how to present your work! The report should be crisp and yet detailed.