

CREDIT RATING FOR SMALL AND MEDIUM ENTERPRISES

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ABSTRACT

Small and medium enterprises are the backbone of industrial development in country like India. They also play a key role in generating employment and contribute to national GDP. Such crucial sector had been facing a huge challenge of raising funds to not only start their business but also to run it. Undoubtedly government is actively doing their part for them. But it has to be realized that the major reason that they are unable to raise finance from banks is their low credibility. Hence they have to resort to informal money lenders who in turn charge quite high interest rates. This paper studies that there exists information asymmetry between these small entrepreneurs and banks, and suggests how credit rating can benefit them to not just get funds timely but also at concessional rates.

KEYWORDS: *Enterprises, Manufacturing, Servicing, Financing, Infrastructure, Business*