# CHAPTER-IV: FINANCING OF SMALL SCALE INDUSTRIES BY MAHARASHTRA STATE FINANCIAL CORPORATION SANGLI BRANCH

4.1 Financing Schemes of Maharashtra State Financial Corporation

4.2 Implementation of Various Schemes by Maharashtra State Financial Corporation - Sangli Branch

4.3 Evaluation of Financing Over Last Five Years by the Sangli Branch (1980-81 to 1984-85)

4.4 Performance of the Sangli Branch Compared With Other Branches of Maharashtra State Financial Corporation in the Kolhapur Region

## 4.1 FINANCING SCHEMES OF MAHARASHTRA STATE FINANCIAL CORPORATION

### INTRODUCTION

Many developing countries in the world have been emphasizing the effective and full utilisation of human resources. The labour-intensive technology for absorbing the surplus man power is advocated. A developing country cannot afford to adopt capital-intensive technology as adopted by the developed nations.[1] The small scale industries do form the basis for maximum adoption of labour-intensive production techniques due to their peculiar characteristic of low capital investment.

The Maharashtra State Financial Corporation, with well developed network of 9 regional offices, 20 branch offices and 3 field offices spread over the entire Maharashtra State and Union Territories of Goa, Daman and Diu, has been operating various schemes of financing. While formulating various schemes the Corporation has carefully observed the main objective behind its establishment to extend assistance to small and medium scale industries. While modifying the schemes several times as the circumstances required, the Corporation has tried to devise a few schemes for discharging the responsibility of development financing.

At present several schemes with diverse features have been implemented by the Corporation.

Financing Schemes: Production and distribution of goods and services are considered to be the main functions of business.[2] Finance is the foremost requirement for undertaking these functions. Moreover, finance is the lifeblood of a business. The Corporation has devised a number of financing schemes which are dealt with in the following paragraphs. The pamphlets, brochures and booklets provided by the Corporation are the main source of information about the schemes. The schemes discussed below will give a broad idea about the main features of the schemes. The pamphlets, brochures and booklets provided by the Sangli Branch are the main source of information about the schemes.

(I) General Loan Scheme: Under the provisions of State Financial Corporations Act (1951) the scheme can finance all industrial activities. The maximum amount of loan available under this scheme is -

a) for partnership/proprietary concerns - Rs. 15 lakhs,
b) private/public limited companies - Rs. 30 lakhs.

The margin for the loan is decided on the basis of investment in machinery which is -

| | |
|---|---|
| Upto Rs. 10 lakhs | - 25 per cent |
| ,, ,, 20 ,, | - 30 ,, ,, |
| Over Rs. 30 lakhs | - 40 ,, ,, |

The loans under this scheme are to be repaid within 8 to 10 years including moratorium. The moratorium is available for one to two years only for principal amount.

The Corporation charges the interest before refinance @ $13\frac{1}{2}$ per cent to small scale units and $14\frac{1}{2}$ per cent to medium scale units.

After refinance the interest rates are -

| | | | |
|---|---|---|---|
| A) | Small units | - | i) $12\frac{1}{2}$ per cent in backward areas |
| | | | ii) $13\frac{1}{2}$ per cent in non-backward areas |
| B) | Medium units | | i) $12\frac{1}{2}$ per cent in backward areas |
| | | | ii) 14 per cent in non-backward areas |

The scheme states that the total project cost must not exceed Rs. 3 crores while the paid-up capital and the resources of the borrower should not exceed Rs. 1 crore. The principal instalments are payable half yearly and interest quarterly.

(II) Transport Loan Scheme: The assistance under this scheme can be given to owner driver, national permit holder having driving licence and 3 year experience. Preference is given to single vehicle operator.

Maximum loan limit depends upon the cost of chassis and body building expenses.

The margin requirements are -

| | | |
|---|---|---|
| a) Single vehicle operator | - | 30 per cent |
| b) Persons from economically weaker sections | - | 25 per cent |
| c) S.C./S.T. and ex-servicemen | - | 15 per cent |
| d) National Permit holder | - | 15 per cent |

The borrowers under this scheme have to repay their loans within five years including moratorium. The Corporation offers for principal amount only, moratorium for initial 2 months plus two months holiday during August and September every year.

The interest rate before refinance under the scheme is $15\frac{1}{2}$ per cent and after refinance it is $12\frac{1}{2}$ per cent.

The Corporation mainly provides loan under the scheme for purchasing Ashok Leyland and Tata Trucks (heavy vehicles) and Tourist taxies.

(III) Auto Rickshaw Loan Scheme: The eligibility criteria for assistance under the scheme are - un-employed entrepreneur below the age of 35 years having Badge and Driving Licence from the R.T.O. (Regional Transport Officer).

The prevailing cost of autorickshaw is the maximum limit for loan amount.

The borrowers from backward areas are to provide 5 per cent margin while those from non-backward areas 10 per cent margin.

The maximum repayment period including moratorium is 4 years. Only 2 months moratorium for principal amount is offered.

The interest rate before refinance is -

a) 6 per cent in Maharashtra

b) 8 per cent in Goa, Daman and Diu.

The same interest rates are followed after refinance also.

The scheme gives preference to educated un-employed persons who are required to provide two guarantors.

(IV) Hotel Financing: Persons having experience in hotel industry can seek finance under the scheme.

Proprietory/Partnership concerns can avail themselves of loan upto the maximum limit of Rs. 15 lakhs while private/ public Ltd. companies can be assisted to the maximum limit of

Rs. 30 lakhs.

The borrowers are required to arrange for 40 per cent margin on building and 50 per cent margin on furniture/ fixtures and equipments.

The maximum repayment period including moratorium is 8 to 10 years with 1 to 2 years moratorium, on principal only.

The Corporation charges $14\frac{1}{2}$ per cent interest before refinance. The interest charged after refinance is -

i) $12\frac{1}{2}$ per cent in backward areas

ii) 14 per cent in non-backward areas.

The borrowers should provide both lodging and boarding facilities. Preference is given to hotels in backward areas/ growth centres.

(V) Technicians' Assistance Scheme: The scheme requires 3 to 5 years' experience in the respective field and technical qualification. The borrower can avail himself of loan for the proposed line of activity solely on his own or in partnership with person/s with commercial background. But all should be entering such industrial activity for first time (i.e., new entrepreneurs). Technical person/s, in case of partnership concerns or limited companies, must have 51 per cent or more share holding. The age limit is set at 40 years which can be relaxed to 45 years in deserving cases.

Rs. 15 lakhs for proprietary/partnership concerns and Rs. 30 lakhs for private/public limited companies can be provided under the scheme for which the borrower/s is/are supposed to arrange for 15 per cent margin.

The recipient of the loan has to repay the same within $8\frac{1}{2}$ years including moratorium. The moratorium for interest is 18 months while that for principal is 2 years.

The loan bears interest rate of $12\frac{1}{2}$ per cent in backward areas $13\frac{1}{2}$ per cent in non-backward areas before refinance. After refinance the same rates of interest are followed both in backward as well as non-backward areas.

Seed capital assistance to deserving cases is the special feature of the scheme.

(VI) <u>Ex-Servicemen Assistance Scheme</u>: Persons retired from armed services with technical/engineering/commercial background below 45 years of age are eligible for assistance under this scheme.

On providing for 15 per cent margin they can be assisted to the maximum limit of Rs. 3 lakhs.

The maximum repayment period for the loan is $8\frac{1}{2}$ years including 1 year moratorium for interest and 2 years moratorium for principal.

The Corporation charges $13\frac{1}{2}$ per cent of interest before refinance and $12\frac{1}{2}$ per cent in backward areas and $13\frac{1}{2}$ per cent in non-backward areas after refinance.

The main objective behind the scheme is to generate self-employment.

(VII) <u>Young Technicians' Assistance Scheme</u>: The eligibility criteria requires the borrower to be a Degree or Diploma holder from a recognised University/Institution. I.T.I. trained technicians Licenciate holding Apprenticeship with 3 year experience can be financed under this scheme. The borrower/s should be within the age group of 21 to 35 years.

A maximum loan of Rs. 2 lakhs can be provided under the scheme. The borrower has to bring in 15 per cent margin money on his part.

The loan has to be repaid within a maximum period of $8\frac{1}{2}$ years including moratorium for interest 12 months and for principal 3 years.

The interest rate is $12\frac{1}{2}$ per cent in backward areas and $13\frac{1}{2}$ per cent in non-backward areas before refinance. No change in these rates is made after refinance both in backward and non-backward areas as well.

The deserving cases are offered seed capital assistance.

(VIII) Seed Capital or Special Class of Share Capital: New industrial units in small scale sector covered under the credit guarantee scheme of DICGC (Deposit Insurance and Credit Guarantee Corporation) are eligible for the finance under the scheme. Small scale industrial units transforming into medium scale industrial units (MSI) are also eligible for the seed capital assistance provided by Industrial Development Bank of India.

The maximum limit for the loan under this scheme is Rs. 2 lakhs. If the limit exceeds Rs. 2 lakhs, the same proposal shall be considered under the Seed Capital Scheme of Industrial Development Bank of India.

Since the Government of Maharashtra, Goa, Daman and Diu, and the Industrial Development Bank of India jointly arrange for the promoter's contribution, the borrower is left free to arrange for the margin (contribution) to the level of his ability. No fixed percentage for margin is set.

The maximum period allowed for repayment with moratorium is coterminus with loan repayment. The moratorium of 3 years for interest and 5 years for principal is allowed.

The loan assistance is charged with 1 per cent of interest both before refinance and after refinance.

The scheme aims at bridging the gap between the expected level of promoter's contribution and the actual contribution the promoter is able to bring in on his own.

(IX) Scheme for Doctors/Medical Practitioners: The doctors with basic qualification in medicines with minimum three years' experience below 40 years of age can avail themselves of assistance under the scheme. However, Doctors practising within Municipal limits of Bombay, Pune and Thane are not eligible for financial assistance under the scheme.

The borrower, on arranging for 15 per cent margin, can avail himself of loan upto the maximum limit of Rs. 5 lakhs.

The loan is to be repaid within 5 to 8 years including moratorium of six months for interest and 2 years for principal.

The interest @ $13\frac{1}{2}$ per cent per annum is charged before refinance and @ $12\frac{1}{2}$ per cent in backward areas and @ $13\frac{1}{2}$ per cent in non-backward areas after refinance.

The loan assistance aims at purchasing equipment like X-ray machines/equipments, Electro-Medical equipments, ECG (Electronic Cardio Gram) and other allied equipments.

(X) Scheduled Caste/Scheduled Tribes Entrepreneurs Assistance Scheme: The borrower should belong to SC/ST category declared by the Government of India. He should preferably be S.S.C. or Diploma-holder having 2 years' practical experience in industrial activity. The age limit is 35 years. Maximum loan assistance to the tune of Rs. 1 lakh on 5 per cent to 10 per cent margin can be made.

The borrower can repay the loan within maximum period of $8\frac{1}{2}$ years including moratorium of 1 year for interest and 2 years for principal.

The loan bears interest @ $13\frac{1}{2}$ per cent p.a. before refinance and @ $12\frac{1}{2}$ per cent p.a. in backward areas and @ $13\frac{1}{2}$ per cent p.a. in non-backward areas.

This scheme is formulated as a part of the new 20-point programme of the Government of India.

(XI) Educated Unemployed Scheme: The borrower should be SSC/ITI trained. He should be unemployed and should have registered his name with the District Employment Exchange. He should be within the age group of 18 to 40 years.

The borrower can get financial assistance to the maximum limit of Rs. 50,000 on 5 per cent margin in backward areas and 10 per cent margin in non-backward areas.

The loanee has to repay the loan within $8\frac{1}{2}$ years including moratorium of one to two years.

The loans in Maharashtra before refinance are charged interest @ 6 per cent p.a. and in Goa, Daman and Diu @ 8 per cent p.a. In Goa, Daman and Diu, after refinance, the interest @ 8 per cent is charged.

The main objective behind the introduction of this scheme is generation of self-employment.

(XII) Composite Loan Scheme: Artisans, craftsmen and Balutedars, etc. for tiny and cottage industries are assisted under the scheme. Assistance can be provided to those units only which are located in areas with population less than 50,000.

On 5 per cent margin in backward areas and 10 per cent margin in non-backward areas maximum loan of Rs. 25,000 can be availed of.

The loan is repayable within 7 to 10 years with moratorium of 12 to 18 months both for interest and principal.

The rates of interest before and after refinance are -

i) @ 6 per cent p.a. in Maharashtra.

ii) @ 8 per cent p.a. in Goa, Daman and Diu.

Assistance can be availed of for both fixed assets and working capital for selected village/cottage industries based on local natural resources. The optimum use of the natural resources is also one of the objectives of the scheme.

(XIII) Modernization Scheme: All small scale and medium scale industries including ancillaries, tiny and cottage/village industries in existence for 5 years are eligible for the assistance under the scheme. The scheme gives priority to import substitute and export-oriented industrial activities.

The amount of assistance will be need-based and hence there is no minimum or maximum limits to loan amount. However, the loan amount will be within the overall loan limits.

The scheme has no fixed norm for margin.

The repayment period is fixed on the basis of repaying capacity of the borrower. The moratorium is for one to two years.

The rates of interest before and after refinance are $11\frac{1}{2}$ per cent.

The scheme has main objective of encouraging export-oriented and import substitute production activity among small and medium scale entrepreneurs. Adoption of improved production techniques and modern technology for improved productivity is also envisaged by introducing the scheme.

(XIV) Development Finance Scheme: The scheme finances for development of prototype/process which is commercially viable. The borrower must possess a minimum academic qualification of either Degree or Diploma of a recognised University/Institute. He should have done some developmental work in the field of prototype or process hitherto not developed in the country.

The maximum loan available through this scheme is -

For proprietary/partnership/private limited companies -

Rs. 1 lakh - for proposed work.

Rs. 1 lakh - where development work is yet to be carried out.

Rs. 2 lakhs - where development work has already been carried out.

The repayment period ranges from 8 to 10 years with moratorium included in it of 3 to 5 years for both interest and principal. The normal interest rates are applicable both before and after refinance.

The chief objective behind the scheme is to encourage Research and Development.

(XV) Short Term Loan in Lieu of Special Capital Incentives: The Corporation grants short term loan to those units financed by the Corporation. The loan is granted only in respect of applications coming to the Maharashtra State Financial Corporation for the first loan.

The amount of loan depends upon the quantum of capital incentives available under the scheme. However, the Debt/Equity ratio should be maintained at 3:1.

The repayment period including moratorium for the loan would be 2 years and normal rate of interest would be charged. The entrepreneur is required to give an authority to the Corporation to receive State incentives directly from Regional Development Corporations.

Medium scale units and Hotel industry are not eligible for assistance under the scheme.

(XVI) <u>Bridge Loan Out of MSFC Sanctioned Loan:</u> For delays occurring out of pending legal and/or other compliances, Bridge loan is sanctioned for the fixed assets created. The Bridge loan is secured against hypothecation of machinery and/or against bank guarantee/DICGC guaraneee (Deposit Insurance and Credit Guarantee Corporation).

The maximum period of 6 months is allowed for repayment of loan. The interest at the rate of 2 per cent is charged over and above the contractual rate of interest.

In case of failure to comply with the legal and other matters within time, the entire advance would fall due for payment.

(XVII) Central Subsidy: The Corporation, in the five districts of Maharashtra, namely, Ratnagiri, Sindhudurg, Aurangabad, Jalna and Chandrapur, and in Goa, Daman and Diu, disburses central subsidy of 15 per cent of the capital investment or Rs. 15 lakhs whichever is lower. For pending disbursement of Central Subsidy, the Corporation against the subsidy grants short term loan which is interest free for first 6 months in respect of small scale industrial units.

(XVIII) Concessions to Backward Areas: To fifteen backward districts of Maharashtra viz., Raigad, Ratnagiri, Sindhudurg, Dhule, Jalgaon, Aurangabad, Jalna, Osmanabad, Beed, Parabhani, Nanded, Buldhana, Yevatmal, Chandrapur and Bhandara and to two Union Territories of Daman and Diu in Goa, the Corporation grants loan at concessional interest rates.

(XIX) World Bank Loan Scheme: The Corporation, out of funds received from International Development Association (IDA) through IDBI (Industrial Development Bank of India) grants the needy borrowers loans in foreign currency. The loans are repayable in Rupee currency which avoids the problem of fluctuations in exchange rates at the time of repayment.

The credit is granted for importing machinery/equipments not available indigenously, and/or technical know-how in special circumstances.

(XX) Scheme for Mechanisation of Small Fishing Boats: The Corporation grants loan assistance to small fishermen for mechanisation of their boats by installing marine engines of one or two cylinders. On 10 per cent margin the maximum loan upto Rs. 50,000 can be availed of under the scheme.

(XXI) Scheme for Acquiring Generating Sets: With a view to meeting the power shortage arising out of power cut, the Corporation finances laons to instal generating sets. The maximum limit for such assistance is Rs. 5 lakhs. The borrower has to bring in 25 per cent margin. The assistance is mainly given to small scale units. However, medium scale units located in Bombay, Pune and Nasik may be granted assistance on a margin of 35 per cent.

Conclusion: The Maharashtra State Financial Corporation has carefully tailored the schemes as to suit perfectly to the financial and other requirements of industries in a developing economy.

The economically weaker sections of the society, educated unemployeds are also given due importance while framing various schemes. At the same time the objective of balanced regional development is also considered significantly.

Although the Corporation has devised a number of schemes of financing its performance in respect of underwriting of shares and debentures is not satisfactory like other SFCs in the country. The Tamilnadu Industrial Investment Corporation also shows declining trend in this regard which was the leading State Financial Corporation accounting for the highest share of underwriting.[3]

It is indeed a noteworthy feature of the Corporation that, it has, like few other State Financial Corporations in the country[4] (e.g., Assam State Financial Corporation) in collaboration with Government development agencies, carries out its operation. The fact is evident from the 'Bipartite Agreement'[5] between the MIDC and MSFC which has taken place recently. The agreement avoids delays and expenses to be incurred by the borrower while acquiring plot in MIDC area.

## 4.2 IMPLEMENTATION OF THE VARIOUS SCHEMES BY MAHARASHTRA STATE FINANCIAL CORPORATION - SANGLI BRANCH

The Maharashtra State Financial Corporation, Sangli Branch, started its operation in the year 1964. Since then the branch has made efforts to implement most of the schemes with a view to helping small entrepreneurs.

While attempting an account of role played by the Corporation's Sangli branch office, the discussion about the implementation of various schemes becomes indispensable. The following paragraphs are devoted to the discussion about the State of affairs of the Corporation while implementing the schemes and the problems/difficulties faced by it.

Although the Corporation has formulated as many as 21 schemes of finance, all of them can't be implemented by the Sangli Branch office nor even by the Regional Office at Kolhapur. Because, a few schemes like 'Hotel financing' etc. have got special concessions if the unit is started in backward areas/growth centres specified by the Corporation. On the other hand, schemes for financial assistance to cottage/village industries based on local natural resources are applicable to the areas where such resources are abundant. Likewise, the scheme for Development Finance, though formulated, might have not been availed of by the industrial units in the area in which the Corporation operates.

Thus, the very nature of some schemes imposes limitations on their implementation by the Corporation; while some other factors inhibiting the implementation of the schemes are discussed below -

i) Sometimes, after sanction of the loan proposal, the borrowers suggest some changes in the proposal, plan of building, machinery requirements, etc. This may mar the main objective of the scheme.

ii) While implementing any scheme, the applicant may not provide in time the information required, reports like market study, licences required for operating an unit, quotations etc. Though it is provided in time, the information is sometimes inadequate and thus it acts as constraints in the implementation.

iii) The Branch Manager is of the opinion that the entrepreneurs in Sangli area are less keen, as compared to those from Kolhapur, Pune, Bombay areas, about providing necessary papers, certificates/documents, etc. This tendency results in delayed implementation of the scheme.

iv) Sometimes the applicant approaches the Corporation with unduly ambitious proposals. The Corporation, when suggests some changes in the proposal, the applicant is in no mood to listen to the Corporation authorities. Such rigidity on the part of borrowers works as a barrier upon the implementation

v) The Corporation, owing to saturation of industrial units of same type in a particular area, has to withhold implementation of the particular scheme till the situation is released due to increase in demand for the particular industrial activity. Thus, at least for a short span of time, the Corporation cannot implement the particular scheme. The saturation in 'Engineering workshops' in Sangli city can be cited as an example.

vi) The product for which the applicant seeks finance, sometimes may have low marketability. Under such circumstance the corporation is not in a position to effect advances under that specific scheme of finance.

vii) Some schemes require skills/experience, etc. on the part of borrower availing of finance from the Corporation. Sometimes M.B.A. graduate approaches the Corporation with a proposal of chemical industry. Here, the Corporation cannot assist such applicants without required skills/qualification, experience, etc.

Thus, the above discussion may help the borrower to understand the problems in implementation of various schemes. Sometimes the implementation is difficult due to some technical factors while it is some other time difficult due to non-compliance with the underlying terms and conditions/requirements of the scheme, on the part of borrowers.

## 4.3 EVALUATION OF FINANCING OVER FIVE YEARS BY SANGLI BRANCH: (1980-81 TO 1984-85)

With a view to evaluating the financial performance of the Sangli Branch, though the period of last five years is taken (from 1980-81 to 1984-85), its performance since 1964-65 is also studied to establish the trend of its activities.

The Sangli Branch was opened in 1964. From 1964-65 till 1966-67 the Branch had not disbursed even a single Rupee whereas it had sanctioned Rs. 21.12 lakhs to 8 units in 1964-65, Rs. 5.47 lakhs to 14 units in 1965-66 and Rs. 5.82 lakhs to 11 units in 1966-67. There were a number of reasons due to which the Branch could not disburse any loan. Among the important reasons, a few reasons were: i) the Branch was newly established with no experience, and ii) non-compliance with the terms and conditions in time by the borrowers.

But since 1967-68 the Branch started gathering momentum with a small beginning of disbursements of Rs. 4.17 lakhs, sanctions of Rs. 0.87 lakhs to only 4 units. The Branch sanctioned Rs. 271.87 lakhs to 153 units in 1984-85 and disbursed Rs. 149.85 lakhs.

If one looks at the table No. 4.1 a steady trend in increase can be found in respect of sanctions of units and amount as well as disbursements. The Branch has sanctioned

Table-4.1: Maharashtra State Financial Corporation, Branch Office, Sangli. Information regarding the loans sanctioned and disbursed in Sangli District (Rs. in lakhs)

| Sr. No. | Year | Loans sanctioned No. of units | Loans sanctioned Amount | Disbursed amount |
|---|---|---|---|---|
| 1 | 1964-65 | 8 | 21.12 | |
| 2 | 1965-66 | 14 | 5.47 | |
| 3 | 1966-67 | 11 | 5.82 | |
| 4 | 1967-68 | 4 | 0.87 | 4.17 |
| 5 | 1968-69 | 11 | 5.66 | 3.99 |
| 6 | 1969-70 | 150 | 59.21 | 39.30 |
| 7 | 1970-71 | 71 | 31.90 | 35.33 |
| 8 | 1971-72 | 15 | 7.32 | 4.38 |
| 9 | 1972-73 | 10 | 13.36 | 6.46 |
| 10 | 1973-74 | 31 | 26.02 | 5.16 |
| 11 | 1974-75 | 29 | 13.66 | 10.69 |
| 12 | 1975-76 | 44 | 34.69 | 26.74 |
| 13 | 1976-77 | 64 | 33.33 | 20.45 |
| 14 | 1977-78 | 46 | 19.41 | 13.41 |
| 15 | 1978-79 | 72 | 63.01 | 37.63 |
| 16 | 1979-80 | 109 | 101.01 | 62.82 |
| 17 | 1980-81 | 117 | 72.59 | 59.55 |
| 18 | 1981-82 | 98 | 123.41 | 52.83 |
| 19 | 1982-83 | 123 | 174.92 | 77.09 |
| 20 | 1983-84 | 124 | 195.42 | 124.14 |
| 21 | 1984-85 | 153 | 271.87 | 149.85 |

Source: Chart from MSFC Sangli Branch.

8 units in 1964-65 and 150 units in 1969-70 showing about 19 times increase which has immediately decreased by 15 times in 1972-73. Since 1972-73 it has been somewhat steady till 1984-85.

The same trend can be observed in respect of amount sanctioned. In 1964-65 Rs. 21.12 lakhs are sanctioned which have steeply come down to Rs. 0.87 lakhs only. From 1968-69 till 1977-78 the amounts sanctioned have considerably fluctuated. The highest amount of Rs. 59.21 lakhs was sanctioned in 1969-70 during the period (from 1968-69 to 1977-78). From 1978-79 onwards the amount shows to some extent a steady increase.

In respect of amount actually disbursed, much steadier increase can be seen as compared to increase in number of units and amount sanctioned. The Table shows a wide gap between amount sanctioned and amount actually disbursed. The reasons for such a gap are discussed in the last part of this chapter. From Table No. 4.1 dealing with loans sanctioned and amounts disbursed by Sangli Branch, it can be seen that there are sudden ups and downs in the number of units sanctioned by the Sangli Branch. The reason for such fluctuation is that the Branch was opened in 1964-65 and till 1968-69 the people from the district were not well aware of the Corporation. Therefore, the number of applicants approaching the Branch for finance appears to be very small. The sudden spurt seen in 1969-70 (from 11 units to 150 units) can be attributed to the proposals of transport operators sanctioned.

From 1973-74 a steady trend of increase can be observed as a result of the realisation of self-employment on the part of educated unemployds and the emphasis placed by the Government on small scale industries development.

Thus it can be said that the growth in performance is not so steady till 1975-76. However, it has been steady to some extent from 1975-76.

Table 4.2: The number of small units registered with District Industries Centre Sangli and units sanctioned by the Sangli Branch (at the end of the year)

| Year | Small units registered with the DIC Sangli | Number of units sanctioned by MSFC Sangli |
|---|---|---|
| (A) | (B) | (C) |
| 1980-81 | 1,256 | 806 (64.17) |
| 1981-82 | 1,299 | 904 (69.59) |
| 1982-83 | 1,360 | 1,027 (75.51) |
| 1983-84 | 1,440 | 1,151 (79.93) |
| 1984-85 | 1,519 | 1,304 (85.84) |

Note: Figures in the brackets show percentage of (C) to (B)

Source: District Action Plan of DIC, Sangli (1984) and Chart in MSFC office, Sangli

The Table No. 4.2 showing the total number of small units registered with the DIC Sangli and units sanctioned by the Sangli Branch clears that at the end of 1980-81 the Branch has sanctioned 806 small units out of a total of 1,256 units constituting a share of 64.17 per cent. At the end of the year 1981-82 out of 1,299 units registered with the DIC, 904 units have been sanctioned by the Branch claiming a share of 69.59 per cent. Some 1,027 units are sanctioned by the Branch as against the 1,360 small units registered with the DIC at the end of 1982-83. The Branch claims 75.51 per cent share for the said year. The Branch has sanctioned 1,151 units out of 1,440 units registered with the DIC at the end of 1983-84 i.e., 79.93 per cent of the units registered with the DIC. The percentage share of the Branch is 85.84 per cent in the year 1984-85 which has sanctioned 1,304 units out of 1,519 units registered with the DIC Sangli.

## 4.4 PERFORMANCE OF THE SANGLI BRANCH COMPARED WITH OTHER BRANCHES OF THE MSFC IN THE KOLHAPUR REGION

The Table No. 4.3 showing amount sanctioned and disbursed by all the three districts of the Kolhapur region since inception describes that the Sangli Branch ranks second in respect of performance of sanction of units and amount and disbursements of loan amount. The Kolhapur district ranks first

Table 4.3: Amount sanctioned and disbursed by three districts of Kolhapur Region since 1962-63 to 1984-85 (Rs. lakhs).

| District | Sanctions | | Disbursement |
|---|---|---|---|
| | Amount | Number | Amount |
| Kolhapur | 2,062.84 | 2,281 | 1,526.28 |
| Sangli | 1,283.11 | 1,304 | 762.05 |
| Satara | 958.63 | 660 | 608.44 |
| Total | 4,304.58 | 4,245 | 2,896.77 |

Source: Annual Report of MSFC.

while the Satara district ranks third. The Sangli Branch claims Rs. 1,283.11 lakhs out of the total amount sanctioned of Rs. 4,304.58 lakhs. Some 1,304 units have been sanctioned by the Branch out of 4,245 units. The Branch has disbursed Rs. 762.05 lakhs out of total actual disbursement of Rs. 2,896.77. Thus, the Branch has sanctioned about 1/4 of the total amount and 1/3 of the total units. It claims about 25 per cent share in total of the actual amount disbursed during the period.

| Yeag → District ↓ | 1980-81 | | | 1981-82 | | | 1982-83 | | | 1983-84 | | | 1984- | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sanctions | | Disbursements | Sanctions | | Disbursement | Sanctions | | Disbursement | Sanctions | | Disbursement | Sanctions | |
| | No. | Amount | Amount | No. | Amount | Amount | No. | Amount | Amount | No. | Amount | Amount | No. | Amou |
| 1 Kolhapur | 157 | 135.93 | 140.71 | 189 | 168.37 | 110.42 | 209 | 161.81 | 130.92 | 230 | 235.26 | 158.89 | 218 | 232. |
| | (47.57) | (49.45) | (56.26) | (53.84) | (39.47) | (44.06) | (53.45) | (40.32) | (47.23) | (53.36) | (37.56) | (42.85) | (48.44) | (33. |
| 2 Sangli | 117 | 72.59 | 59.55 | 98 | 123.41 | 52.83 | 123 | 174.92 | 74.09 | 123 | 195.41 | 128.32 | 150 | 272. |
| | (35.45) | (26.41) | (23.81) | (27.92) | (28.93) | (21.08) | (31.45) | (43.59) | (26.73) | (28.53) | (31.20) | (34.60 | (33.33) | (39. |
| 3 Satara | 56 | 66.33 | 49.84 | 64 | 134.70 | 87.33 | 59 | 64.49 | 69.14 | 78 | 195.59 | 83.56 | 82 | 190 |
| | (16.96) | (24.13) | (19.92) | (18.23) | (31.58) | (35.05) | (15.08) | (16.07) | (24.94) | (18.09) | (31.23) | (22.53) | (18.22) | (27 |
| Total | 330 | 274.85 | 250.10 | 351 | 426.48 | 250.58 | 391 | 401.22 | 277.15 | 431 | 626.26 | 370.77 | 450 | 694 |

Note: Figures in the bracket show percentage to total.

Source: Annual Reports of MSFC

The Table No. 4.4 showing districtwise loan applications sanctioned and amount disbursed during 1980-81 to 1984-85 clears that over the period the Sangli Branch shows a performance which ranks second as compared to other two districts of the Region. The Kolhapur district has shown the highest performance while the Satara district shows the lowest performance.

The sanctions made by the Sangli Branch in terms of amount show a steady increase over the period. In terms of number of units sanctioned the trend is steady except during 1981-82. The amount disbursed by the Sangli Branch shows a steady increase except in 1981-82 and 1982-83.

The Sangli Branch has taken a good deal of effort in satisfying the needs of borrowers. This fact is evident by the favourable comments passed by almost all the borrowers out of 20 who were interviewed by the researcher. Had the performance of the Branch been poor, those borrowers would not have passed favourable comments about the Sangli Branch.

However, some borrowers had complaints about the apathy shown by the Sangli Branch, while financing their proposals. The Branch Manager, during the interview with him, was requested to explain the facts and figures of such complaints. He answered that, although the Corporation has got ample funds, it does not, however, mean that they should be made available to unproductive industrial units or units which are not economically viable. He added that, at least to a little extent such misunderstanding may arise, especially in cases of financial institutions.

If one studies the Table No. 4.1, a wide gap between the sanctions and actual disbursements could be found. When the fact was brought to the notice of the Branch Manager, he argued with the researcher. But with a view to justifying the reality behind it he enumerated the following reasons:

After sanction of the loan proposals the borrowers -

1) may not comply with the terms and conditions of the corporation,

2) sometimes want to change their building plan or want to purchase different type of machinery from different supplier,

3) don't follow a lawful procedure of retirement of a partner,

4) may request the Corporation for constitutional changes like - from a partnership firm to a proprietary concern and vice versa,

5) do not provide load power sanction certificate from the M.S.E.B. or electricity supplying company,

6) intending to manufacture food and drug products

may sometimes find it difficult to present licence of Food and Drug Inspector,

7) sometimes fail to arrange the margin money they are expected to contribute.

Thus, due to the reasons mentioned above and some other reasons, the Branch may not be in a position to disburse the amount immediately after it is sanctioned or even in that year in which it is sanctioned. Therefore, the wide gap is found between the amount sanctioned and amount actually disbursed.

Taking a sceptic view of the operations of the Branch from inception in general and its operations during the period of last five years (1980-81 to 1984-85) in particular, it can be concluded that its performance is satisfactory although not the best.

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