
**CHAPTER-V: EVALUATION OF WORKING OF FINANCING SCHEMES
OF MAHARASHTRA STATE FINANCIAL CORPORATION -
SANGLI BRANCH**

- 5.1 Procedural Formalities
 - 5.2 Organizational Problems Before the Sangli Branch
 - 5.3 Recovery Problems Faced by the Sangli Branch
 - 5.4 Difficulties/Problems Faced by the Borrowers
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5.1 PROCEDURAL FORMALITIES

While understanding the procedure followed by the Corporation for sanctioning the loan proposals, though it is not possible to go scheme by scheme, it is all the while necessary to consider the procedure broadly followed by the Corporation. In the following paragraphs a brief account of the same is given.

When the prospective entrepreneur approaches the Corporation's office with some idea of enterprise, he may undertake, he is given a tentative list of information he is required to submit (as shown in the last part of the Chapter). After discussions and exchange of views with the Branch Manager this list guides the entrepreneurs for arranging various licences, certificates, permission etc. He is also given an application form and asked to bring it duly filled in while coming for the next meeting.

In the second meeting, after 10 to 15 days, changes in the loan proposal such as amount, building plan, type of machinery to be purchased etc. are suggested, if necessary. According to the suggestions, with suitable changes made in the proposal, the entrepreneur is requested to come for the third meeting.

The application is finalised and registered with the

office in the third meeting. The application is prepared in triplicate. One copy is sent to Engineers/Technical Experts Section of the Corporation. Another copy is submitted to the Legal Section for checking the validity of legal documents, etc. The third copy is retained by the Branch office for the purpose of further scrutiny of the application and related documents. The Legal Section and Technical Section send their reports on feasibility of the project. On receiving these reports and on the basis of scrutiny made, case is prepared to be put up before the sanctioning authority. The limit of loan amount determines the sanctioning authority i.e., whether the Regional Office or the Head Office, is to sanction the proposal.

The sanctioning authority in the meeting of committee members discusses the pros and cons of the proposals. If necessary changes are suggested and the applicant is duly informed accordingly. If the authority on the other hand deems the proposal fit for making advances, the proposal is sanctioned. The concerned Branch Office as well as the applicant are informed through the copies of sanction letter.

Once the applicant receives sanction letter, he has to comply with the terms and conditions mentioned in it. Only on complying with those terms and conditions, the Branch Office can effect disbursements.

The entire loan amount is not disbursed by the Branch office at once but step by step as the work of building construction proceeds. The borrower is simultaneously asked to quote orders for machinery immediately on undertaking construction work as to avoid delayed delivery.

The entrepreneur has to submit engineer's report certifying the construction work completed for getting the loan instalment from the Corporation. The Corporation makes direct payments to different suppliers such as machinery, equipments, raw materials, etc.

After the construction work is finished, the Corporation releases the final loan instalment to enable the borrower to start his production activity in real terms.

Thus, for obtaining financial assistance, the borrower has to undergo such a lengthy and spiral procedure of the Corporation. Though it apparently seems time-taking one, it is highly necessary to make need-based and productive finance.

5.2 ORGANISATIONAL PROBLEMS (BEFORE THE CORPORATION'S SANGLI BRANCH)

While evaluating the working of financing schemes of the Corporation, due attention must be given towards the organisational problems if any. Because, they have a close

bearing on the efficient working of the Corporation.

With a view to understand the organisational problems before the corporation's Sangli Branch, oral interview with the Executive level staff and clerical staff was held, who gave authentic information and expressed frank opinion.

In Section-III of the Second Chapter we have meant by the term 'Organisation' that -

It is a structure manned by a group of individuals who are working together towards achievement of a common goal.

Thus, it is clear from the above definition that if the goals are fulfilled to a large extent, it can be said that the organisation does not suffer from organisational problems; and vice versa. However, mere fulfilment of goals of the organisation cannot be the sole criterion of the sound organisation of the enterprise. But in general it can be said to be the most appropriate one.

For the purpose of evaluation/understanding the organisational problems which may inhibit the working of Corporation's Sangli Branch, the above criterion is given greater importance while probing the issue also by other means.

If one looks at the performance of the Sangli Branch on

both the fronts - disbursements and recovery of loans, - one may arrive at the conclusion that the best performance is shown by the Sangli Branch. The Branch suffers very little (hardly 1 per cent to 2 per cent) on account of overdues problems. This indicates the efficient collection of instalments from the borrowers. Although gaps are found between sanctions and disbursements effected by the Corporation, the reasons have been examined in Chapter IV. The Corporation is least responsible for that.

Thus, had there been organisational problems, the Branch would not have been able to show such a nice performance.

While administering the questionnaires, the respondents were asked to state if they had any complaints about the staff/officers of the Sangli Branch. But not a single respondent out of 20, had a grudge that he suffered on account of faulty organisation.

The Branch Manager, who is holding the office for the last 8 to 10 years, has been able to handle the subordinates successfully and not a single instance of dispute between them was recorded. According to him, a Manager is he who gets the things done through and with other people. He is of the opinion that, if some problems arise, it is the inefficiency of the manager who fails to get the things done in a right manner

although the mistakes are attributable to the subordinate staff. The Branch Manager said that he had got a praiseworthy/sincere and devoted staff.

The informal interviews with clerical staff revealed the fact that there exists cordial relationship between them and the Branch Manager. A good deal of cooperation and rapport have been established between them. Any sort of problem/complaint about the work of routine nature and/or about the colleagues is taken immediate cognizance of by the Manager and the matter is settled the next moment.

The Researcher here, has not to say that as soon as anybody enters the Sangli Branch Office he will observe 'Utopian Scheme' there, but on an average he will definitely find fair state of affairs. As long as the Sangli Branch is concerned, it is not cursed with red tapism, bureaucracy, corruption.

Thus, it can be concluded on the whole that the Sangli Branch has least organisational problems while implementing various financing schemes. On the contrary, although some problems exist there, as the researcher's concern is confined only to the satisfactory working of various schemes, the image created by the Sangli Branch in the district can be the criterion for knowing the degree of organisational soundness.

5.3 RECOVERY PROBLEMS FACED BY THE SANGLI BRANCH

Where there is monetary transaction, problems in respect of recovery of the debt or money are bound to exist. But to avoid such recovery problems any organisation run for profiteering cannot afford to strictly practise the slogan given below:

You ask credit,

I no pay,

You get mad.

I give credit,

You no repay

I get mad.

Better you get mad.*

- Confucius

The Corporation, which has been established with the main objective of acting as a Development Bank/Development Catalyst, cannot even dream of practising the slogan mentioned above. At the most, it can strive hard to keep the percentage of overdues at minimum level possible.

The discussion made below may help the readers grasp the state of affairs relating to recovery of loans advanced by the Sangli Branch.

* This slogan is from wall-pieces generally found at the counters of shopkeepers.

It is to the credit of the Sangli Branch that the overdues percentage ranges between 1 per cent and 2 per cent only. This success is the outcome of a sound repayment policy practised by the Branch. Since 1980, every year the Branch has financed more than 100 units. If one compares the percentage of overdues with the number of units financed, he may conclude that it is very very negligible and that the Branch has been very efficient as long as the recovery is concerned.

It won't be out of place if the underlying factors responsible for such a great success are understood:

i) The Branch makes hard efforts for preventing an unit from becoming sick. The reasons are found out and remedies suggested. Sometimes the unit may suffer for want of raw material. To help the needy unit the Branch Manager has taken initiative and persuaded the authorities to release the quota of raw material, like pig iron to be released by Manager of the industrial estates.

ii) Sometimes the unit becomes helpless due to lack of working capital for which the Corporation has no provision. The Sangli Branch, in such critical circumstances, has approached the local Commercial/Nationalised banks and requested them to advance for working capital requirements by allowing a Second Charge on the assets pledged to the Corporation.

iii) Many on occasion the industrial concerns to whom the small units supply their finished products, do not make timely payment of bills. Thus, the small units are at stake of sickness. Because, funds are the lifeblood of industry. If it does not circulate smoothly, sickness is bound to occur.

To solve the problems, the Branch Manager has personally appealed the big industries to sanction bills and release funds after convincing them of the dire need of funds for the small units.

iv) The problem of retirement of a partner from a partnership concern the Branch has financed, causes a great deal of complications for both the Corporation and other partners. Because, the partners are in no mood to listen to one another and hence harmony cannot be established. This endangers the unit. The Branch Manager, in such cases, has taken lead and acted as a mediator. Sometimes he has persuaded the partners to continue or some other time he has skillfully retired the partner willing to go out, without harming the routine of that unit. This has avoided the unnecessary and lengthy litigations and further complications.

v) The Branch, from the very beginning till the industrial enterprise starts production and even after the production actually starts, the Branch keeps a close watch over it and

makes suggestions whenever required.

An exhaustive interview with the Branch Manager revealed many an important factor responsible for the sound recovery of the loans advanced. The Manager emphasized the need for adopting a development approach by the Managers of a Development Bank. The Corporation is a Development Bank and not merely a Banking organisation to rigidly follow the rules while recovering the instalments of loans.

5.4 DIFFICULTIES/PROBLEMS FACED BY THE BORROWERS

Although it is seen in the earlier parts of the dissertation, that there is a smooth and efficient operational structure, it is not that the borrowers don't face any sort of problems and difficulties. No doubt they face, or experience some. Those are discussed in the following lines -

- 1) Procedural Delay: Although the Branch has to dispose off every application within 6 months, the borrower might have to face the evils of price escalation due to increase in cost.
- 2) Moratorium: The period allowed by the Branch is for principal and interest also but applicable to some schemes only. The borrowers, availing themselves of loan under schemes for which the moratorium is not available for interest, have to suffer. Secondly, the small borrowers due to lack of experience, can't

earn sufficient income and hence they find it difficult to start repayment immediately.

✓ 3) Compilation of Documents: Compilation of different documents and certificates within the stipulated period has become difficult for the borrowers.

✓ 4) Repayment of Loan: Sometimes the borrowers do not get payment of their bills from Government Departments and big industries as per anticipations. Therefore, it becomes impossible for them to observe strictly the repayment schedule fixed by the Corporation.

✓ 5) Voluminous Forms and Documents: The borrower is required to fill in a number of forms and documents while submitting loan application. The number is so big that illiterate borrowers are confused while filling in those forms and documents.

✓ 6) Commitment Charges: The commitment charges imposed on loan amount sanctioned but not actually availed of by the borrower are burdensome, because, non availment of the amount sanctioned happens due to irregular supply of machinery/equipments etc. The borrowers have to pay interest on the amount already availed, and in addition they have to pay commitment charges whereas they earn nothing from the project.

✓ 7) Working Capital: The Corporation finances only for fixed

capital requirements and not for working capital. The borrowers have to wait until the amount of working capital is arranged from some other financial institutions. Therefore, the project which is ready for actual production, is withheld. Ultimately the borrower has to suffer.

8) English Formats: The Corporation has the forms and other documents printed in English. The illiterate borrowers and even literate borrowers in some cases, may not understand the meaning and substance of those forms.

9) Legal Section: The Legal Section of the Corporation, as a policy matter, requires the borrowers to present voluminous legal documents and records. The borrower has to spend much time and money for compiling such documents and record.

10) Rate of Interest: Since the average income has reduced considerably due to severe competition and increase in costs, the small borrower finds it difficult to pay the average interest rate of $13\frac{1}{2}$ per cent.

11) Guarantors: The Corporation requires the guarantors who are invariably income-tax payers and who can provide sufficient security. The small borrowers in some cases cannot fulfill this condition.

12) Documents and Certificates Not demanded at a Time: Most of

the borrowers come across the difficulty of providing the documents, papers, certificates, etc. one after another. In such cases the Branch demands one document after another.

13) Penal Interest: Penal interest is charged by the Corporation on delayed payment of amount of interest. But the small borrowers, who are basically unable to pay the basic interest, feel it burdensome to pay the Penal interest. Because the payment of basic interest is withheld due to non-payment of bills by the enterprises to whom the borrowers supply their products.

14) Margin Money: The amount of margin money ranges between 5 per cent and 50 per cent in some cases. The borrowers find it difficult to arrange for the margin money.

महाराष्ट्र राज्य वित्तिय महामंडळ

शाखा : सांगली

फोन : २७४०

अर्जाबरोबर धावयाची माहिती

(दोन प्रतित)

- १) ग्रामपंचायत - नगरपालिका नाहरबत दाखला.
- २) वीजबोर्डाचे - वीज कंपनीचे वीज पुरवठ्याबाबतचे पत्र.
- ३) मशिनरीची दिलेल्या नमुन्यात यादी.
- ४) मशिनरीची कोटेशनस.
- ५) लघू उद्योग नोंदणी प्रमाणपत्र.
- ६) प्रोप्रायटर - भागीदार - डायरेक्टर यांची वैयक्तिक माहिती
- ७) पूर्ण नाव, पूर्ण पत्ता, वय, शिक्षण, अनुभव, स्थावर मालमत्ता इतर संस्थेशी संबंध असल्यास त्याची सविस्तर माहिती - कृष्णातील माणसांची संख्या, कोणी मिळते असल्यास - त्यांची माहिती.

- पत्राची
- ७) भागीदारी ~~प्रत.~~ प्रत.
 - ८) भागीदारी रजिस्ट्रेशन दाखला,
 - ९) कारखान्याच्या जागेचा दाखला - प्रॉपर्टी कार्ड.
 - १०) माडेपावती व जागा मालकांचे संमतीपत्र.
 - ११) कारखाना जागा शेती असल्यास बिगरशेती कमर्शियल परवानगी.
 - १२) मार्केट बाबत सविस्तर माहिती व शक्य झालेस आश्वासन पत्रे.
 - १३) अनुभवाचे दाखले.
 - १४) इमारतीसाठी कर्ज पाहिजे असल्यास इमारतीचे प्लॅन व इस्टिमेट्स
 - १५) संबंधित अॅथॉरिटीचे प्लॅन मंजुरीपत्र.
 - १६) कारखाना चालू असल्यास मागील ३ वर्षांचे ऑडिटेड ताबेदपत्रक.
 - १७) इतर संस्थांकडे संबंध असल्यास त्या संस्थांचे ३ वर्षांचे हिशोब.
 - १८) औद्योगिक सोसायटी अथवा एम.आय.डी.सी. मध्ये जागा असल्यास प्लॉट अलॉटमेंट पत्र.

पोवरलूम कर्जासाठी

- १९) टेक्समार्क परमिट
- २०) रिप्लेसमेंट ऑर्डर.