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**CHAPTER VI: ANALYSIS AND INTERPRETATION OF  
SAMPLE SURVEY**

6.1 Introduction

6.2 Sample Size

6.3 Analysis and Interpretation of Data

6.4 Difficulties of Borrowers

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### 6.1 INTRODUCTION

For the purpose of evaluating the impact of financing on borrowers (particularly employment and income) and to know the difficulties of borrowers, a sample survey was conducted. The data were collected by administering questionnaires (the format of which is attached at the end of this chapter). The results of the sample survey are described in the following paragraphs.

### 6.2 SAMPLE SIZE

For the purpose of sample survey, 98 borrowers financed in the year 1981, were considered. Out of 98 borrowers 1/5 of them, i.e., 20 borrowers, were selected for the purpose of interview.

### 6.3 ANALYSIS AND INTERPRETATION OF DATA

The analysis and interpretation are made mainly under the heads mentioned below:

### 6.3(i) Capital Investment

During the year 1981 the 20 sample units financed by the Corporation made the net capital investment of Rs. 72,62,400. The fact can be seen from the Table No. 6.1. The Table shows that out of the 20 sample units 9 units are new enterprises while the rest 11 units have made the capital investment for expansion purposes.

The units engaged in confectionery industry, food industry, engineering and chemical industry, iron industry, steel container industry, are the big contributors in the increase in capital investment.

### 6.3(ii) Production/Output

Increase in the production is an indicator of economic growth. The Table No. 6.1 showing increase in capital investment, production, income and employment opportunities clears that the 20 sample units have commonly increased the production by Rs. 2,66,40,400/-. The steel container industry claims for the highest share in the production increase of Rs. 1,50,00,000 followed by confectionery industry which claims increase of Rs. 60,00,000/-. The lowest contributor in the share is auto servicing industry claiming for just Rs. 30,000/- increase in production.

### 6.3(iii) Income

Increase in income of individual unit is one more indicator of economic growth. The Table No. 6.1 shows a total increase in income of Rs. 21,25,700 by all the 20 sample units. The highest share of Rs. 12 lakhs is claimed by the steel container industry, while the lowest share goes to engineering workshop which has claimed an increase of Rs. 9,200/- only. The confectionery industry stands second in the sequence, by claiming an increase of Rs. 5,00,000.

### 6.3(iv) Employment Opportunities

The total employment opportunities increased can be seen from Table No. 6.1 showing an increase of 145 opportunities. The highest opportunities are generated by steel container industry followed by confectionery industry claiming shares of 65 and 16 opportunities respectively.

### 6.3(v) Diversified Financing

Whether the Maharashtra State Financial Corporation, Sangli Branch has made diversified financing can be observed by the Table No. 6.2. The Table shows that while financing 20 sample units the Branch has financed to 12 types of industries. The Branch seems to be in much favour of engineering workshops as it has financed 5 such units out of 20. During the

Table No. 6.2: Industrywise classification of sample units financed by the Sangli Branch.

Sr. No.	Nature of industry	Units
1	Printing Press ...	3
2	Engineering workshops ...	5
3	Food products ...	1
4	Confectionery ...	1
5	Automobile servicing and repairs workshop ...	2
6	Steel containers ...	1
7	Chemicals ...	1
8	Foundry ...	1
9	Timber products ...	2
10	Plastic ...	1
11	Paper packaging ...	1
12	Wooden packaging ...	1
Total		20

Source: Questionnaires.

Table No. 6.3: Periodwise classification of sample units financed by the MSFC Sangli Branch.

<u>Period</u>		<u>Units</u>
1 to 3 years	...	-
3 to 5 years	...	2
5 to 7 years	...	5
7 to 10 years	...	13
Above 10 years	...	-
		<hr/>
Total		20
		<hr/>

Source: Questionnaires

year 3 printing press units have been financed out of a total of 20 sample units.

#### 6.3(vi) Period of Loan

The Corporation is set up with the main objective of financing for the medium and long term requirements of small entrepreneurs. If this objective is fulfilled by the Corporation or not, can be observed by the Table No. 6.3. It is clear from the Table that 2 units out of a total of 20 sample units are financed for a period ranging between 3 and 5 years. Out of the total units only 5 units have been advanced loans for a period between 5 and 7 years. Thirteen units have secured loans for a period ranging between 7 and 10 years. Thus, it is clear that not a single unit was financed for the period less than 3 years and more than 10 years.

#### 6.4 DIFFICULTIES OF BORROWERS

✓ i) Rate of Interest: On an average the Corporation charges 13 per cent of interest per annum on the loans advanced by it. Whereas the borrowers want to bring it down to mere 9 per cent p.a. Because, due to high costs the margin left with the borrowers is not sufficient for both payment of instalments and interest thereon.

✓ ii) Period of Moratorium: The Corporation allows period for

moratorium which ranges normally between 2 months and 5 years. Although the period granted for moratorium is sufficient, due to critical market <sup>conditions</sup> ~~conditions~~ and competition the borrowers want it to be increased it further. Secondly, <sup>in</sup> the cases of a few schemes moratorium only for principal amount is granted. But the borrowers expect the moratorium for both the principal amount and interest also.

✓ iii) Repayment Schedule: While sanctioning the loan, repayment schedule is determined by the Corporation in consultation with the borrower. But in actual practice when payment of bills is held up due to some reasons, the borrower is unable to make repayments as per schedule. Or sometimes the earnings to the enterprise do not accrue as correctly as anticipated by the borrower. Under such circumstances the Corporation should follow the same with sufficient degree of flexibility.

✓ iv) Compilation of Various Documents: The Corporation requires a good number of different documents and certificates. But in practice, it is rather difficult for the borrower to collect them in time. Hence, the borrower is sometimes unable to provide them within the stipulated time.

✓ v) Working Capital Requirement: The Corporation does not advance loans for working capital requirement. The borrower has to resort to some other financial institution such as Commercial banks. But the borrower seldom gets loan from Commercial banks



for working capital immediately after he has established his industrial unit.

vi) Margin Money: The Corporation requires margin money from the borrowers ranging from 5 per cent to 50 per cent. No doubt there are schemes of finance without margin money. But on an average the borrowers feel that the requirement of margin money be reduced to 10 per cent to 15 per cent only.

✓ vii) Formats in English: Almost all the formats of the Corporation are printed in English. Generally the borrowers feel it difficult to understand and fill in those formats. Secondly, the number of formats is also rather large.

✓ viii) Commitment Charges: Commitment charges are taken on the amount sanctioned, but the amount which is not availed of by the borrower. In case the project is held up due to irregular supply of machinery by supplier, the borrower becomes helpless and in addition to that he has to pay the commitment charges.

✓ ix) Guarantors: Borrower is required to give such guarantors who are invariably income-tax payers and can give sufficient security.



## QUESTIONNAIRE

## I. IDENTIFICATION PARTICULARS OF THE BORROWER

- 1.1 Name  
1.2 Age  
1.3 Address  
1.4 Purpose of loan  
1.5 Period of loan  
1.6 Rate of interest  
1.7 Category of the borrower  
1.8 Occupation before availment of loan  
1.9 Labour employed a) b)

## II. ASSETS OF THE BORROWER

- 2.1 a) Land a) b)  
2.2 Building a) b)  
2.3 Machinery a) b)  
2.4 Equipments a) b)  
2.5 Furniture a) b)  
2.6 Others a) b)

Total: \_\_\_\_\_

## III. LIABILITIES OF THE BORROWER

- 3.1 Total capital a) b)  
3.2 Borrowed capital a) b)

- |     |   |    |    |
|-----|---|----|----|
| 3.3 | Owned capital                                       | a) | b) |
| 3.4 | Total loan  | a) | b) |
| 3.5 | Loan from MSFC and<br>interest rate                 | a) | b) |
| 3.6 | Loan from other<br>institution and<br>interest rate | a) | b) |
| 3.7 | Others  | a) | b) |

#### IV. BUSINESS INFORMATION OF THE BORROWER

- 4.1 Nature of Business
- 4.2 Size of business                      Small/medium
- 4.3 Fixed capital                      (a)                      (b)
- a) Land:
- b) Building/Establishment
- c) Plant and Machinery
- d) Other
- 4.4 Working Capital
- a) Raw material
- b) Labour expenses
- c) Electricity and other  
        expenses for power
- d) Rent
- e) Taxes
- f) Others
- 4.5 Production

- 4.6 Sales
- 4.7 Gross Earnings
- 4.8 Net earnings

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Note: a) Pertains to information prior to procurement of loan  
b) Pertains to information after procurement of loan

V. OPINIONS OF THE BORROWERS

- 5.1 If the credit helped you in enhancing your earning capacity ?
- 5.2 TO WHAT EXTENT THE CREDIT HELPED YOU INCREASE YOUR PRODUCTION ?
- 5.3 TO WHAT EXTENT COULD YOU EXPAND EMPLOYMENT OPPORTUNITIES WITH THE HELP OF CREDIT?
- 5.4 HAS THE CREDIT HELPED YOU IN UPLIFTING YOUR LIVING STANDARD AND FINANCIAL POSITION?
- 5.5 DID YOU EXPERIENCE ANY DELAY BETWEEN THE DATE OF APPLICATION FOR LOAN AND THE DATE OF ACTUAL RECEIPT OF LOAN AMOUNT?
- 5.6 DID YOU FIND ANY DIFFICULTIES IN PROCURING THE LOAN FROM MSFC?
- 5.7 DO YOU HAVE TO OFFER SUGGESTIONS REGARDING THE RATE OF INTEREST AND THE REPAYMENT SCHEDULE?
- 5.8 HAVE YOU TO OFFER ANY SUGGESTIONS IN REGARD TO THE PROCEDURAL FORMALITIES OF THE CORPORATION?
- 5.9 Suggestions, if any:

Date of interview

Signature of interviewer