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CHAPTER-II: HISTORICAL DEVELOPMENT OF MAHARASHTRA STATE  
FINANCIAL CORPORATION

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## 2.1 INTRODUCTION

This second chapter has discussed the origin of Bombay State Financial Corporation and its transformation into Maharashtra State Financial Corporation in 1962.

The Chapter has also dealt with the objectives of Maharashtra State Financial Corporation, scope of business, its main functions operational policies.

The Chapter gives a brief view of the historical development of the Maharashtra State Financial Corporation. A comparison of the corporation is also made with other State Financial Corporations in the country as to know the position of the M.S.F.C. The organisational set up of the Corporation is also discussed in brief.

## 2.2 BOMBAY STATE FINANCIAL CORPORATION

Although it is true that the M.S.F.C. came into existence from 1962, it has got a deep rooted history of the former Bombay State Financial Corporation from which the M.S.F.C. has taken over the business in 1962. Therefore, a brief account of the Bombay State Financial Corporation becomes necessary.

Since the Industrial Finance Corporation had limited its scope of activities in financing to Public Limited Companies and

Registered Cooperative Societies only, the small and medium scale industries were neglected. Owing to the fact, the Government of India passed the "State Financial Corporations" Bill which came into force from 1st August 1952.

The Bombay State Financial Corporation was inaugurated formally on 21st December 1953 at the hands of the then Chief Minister of Government of Bombay Shri Morarjibhai R. Desai. It was the third\* State Financial Corporation established in the country.

Although the Bombay State Financial Corporation made a small beginning in a small premises with share capital of Rs. 1 crore and reserves of Rs. 1,000 only and sanctions of Rs. 68 lakhs to 31 applications and Rs. 30 lakhs disbursements, at the time of handing over the business to Maharashtra State Financial Corporation it had sanctioned Rs. 716 lakhs and disbursed Rs. 391 lakhs since its inception.

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\* Punjab State Financial Corporation (Oct. 1953) and Kerala State Financial Corporation (Nov. 1953) are the first two State Financing Corporations in the country. However, in 1949, the Madras Govt. had set up 'Madras Industrial Investment ~~Development~~ Corporation (now Tamilnadu Industrial Investment Corporation), a company registered under the Companies Act.

The Bombay Reorganisation Act 1960 made the Corporation to hand over the business to Maharashtra State Financial Corporation which came into being on Tuesday, the 14th August, 1962.

### 2.3 MAHARASHTRA STATE FINANCIAL CORPORATION

(a) The Beginnings: As stated earlier, the Maharashtra State Financial Corporation, on 14th August 1962, took over from its predecessor Bombay State Financial Corporation covering all the 26 districts of Maharashtra. But, by an agreement dated 18.7.1964 between the Government of Maharashtra and the Administration of Union Territories of Goa, Daman and Diu, the Corporation extended its jurisdiction to Goa, Daman and Diu. The Corporation, in August 1964, set up its branch office at Panaji to cater to the needs of the Union Territories.

(b) Chairman: On reconstitution of the Corporation, the Government of Maharashtra nominated Shri Purshottam Kanji as Chairman of the Corporation, who had been on the same position since the inception. But after 2 years i.e., on 15.8.1964 he relinquished the Chairmanship.

Thereafter, the Government nominated Shri B.D. Garware, a noted industrialist, as Chairman of the Corporation. He continued his Chairmanship for over 13 years till 1977. Under his able leadership the Corporation earned the name as the

foremost State Financial Corporation of the country. He relinquished his post on 23.9.1977.

The Government then nominated Shri Homi J.H. Taleyarkhan as the Chairman, an administrator of proven ability and dynamism.

(c) Managing Director: Shri P.S. Mokashi, an experienced banker and retired officer of Reserve Bank of India, was appointed as the first managing director of the Corporation after reconstitution. On his retirement in 1968, the post of managing director was brought on Maharashtra cadre of the Indian Administrative Service. Incidentally, the post has been held by senior officers of the rank of Secretary to State Government.

#### 2.4 HISTORICAL DEVELOPMENT OF MAHARASHTRA STATE FINANCIAL CORPORATION

Maharashtra State Financial Corporation, which was taken over/ from its predecessor Bombay State Financial Corporation, started its operation on 14th August 1962 with a capital of Rs. 2 crores. The Corporation has adopted the watchword "Arthamula Kriyasiddhi" which means for fulfilling any kind of activity finance is the basic and foremost requirement.

On taking over the business from Bombay State Financial Corporation, the M.S.F.C. noticed imperfect procedures of sanctions and disbursements resulting into delay. Hence the

Corporation took a few important steps to avoid delay in sanction and disbursement of loan proposals, viz., i) appointment of advocates at district level, ii) appointment of architects at district level and accepting valuation report of the Government Civil engineers.

The Corporation opened three Branches each in Aurangabad (1963), Miraj (1964), and Panaji (1964) as a step to avoid delay in sanction-disbursement process.

During the period from 1962 to 1968 the M.S.F.C. sanctioned Rs. 2,245.62 lakhs and disbursed Rs. 1,725.77 lakhs.

After 1968 the Corporation undertook expansion programme of offices and staff. The Corporation also shifted the operational emphasis from industries in metropolitan areas to industries in backward areas. The small industries were given much weightage.

For decentralisation of authority in 1970 the Corporation opened Regional offices in Bombay, Poona, Nagpur, Aurangabad and Kolhapur.

In 1977 the Corporation converted the Branch office at Panaji into Regional Office and opened Regional office at Nasik to serve industries coming up in Nasik, Dhulia and Jalgaon districts.

Thus, by improving the procedure and establishing regional and branch offices in various districts the Corporation, during 1969 to 1976, sanctioned Rs. 2,723.25 lakhs and disbursed Rs. 1,891.92 lakhs. At the end of 1976 the Corporation had 6 regional offices.

During the year 1973, the International Development Agency (IDA) of the World Bank had sanctioned to IDBI a loan of \$ 25 Millions for onlending through State Financial Corporations. The M.S.F.C. was the first SFC to avail itself of the said facility and accounted for the largest share of utilisation (21 per cent).

The M.S.F.C. during 1977 to 1984 mainly concentrated upon employment generation, development of backward areas, promotion of small scale industries and formulating new schemes as a part of the 20-point programme of the Government of India. During this period, new schemes like assistance to fishermen, assistance to ex-servicemen and medical practitioners, etc. were undertaken.

The Corporation, with a view to uplifting the socio-economic status of the Scheduled Caste/Scheduled Tribe entrepreneurs, declared many concessions in the rate of interest, promoter's contribution, re-finance at concessional rate of interest etc.

The Corporation, for synchronizing financial activities, made co-ordination arrangements with commercial banks and other Government agencies like SICOM, MIDC, WMDC etc.

During 1976 to 1984 the Corporation financed with priority to export oriented and import substitute industries. The Corporation also devised scheme for Research and Development activities which is an indicator of the developmental effort made by the M.S.F.C.

During the period from 1977 to 1985 the Corporation increased the number of regional and branch and field offices to 9 and 33 respectively.

The Corporation at the end of 1985 have capital of Rs. 10.00 crores. The number of employees is 1,076.

Thus, the Maharashtra State Financial Corporation, which started its operations with <sup>a</sup> small amount of capital, now has attained the strongest financial and highest position among all the State Financial Corporations in the country.

The Table No. 2.1 shows the working results of M.S.F.C. from 1974 to 1985. It gives a sceptic view of the Corporation's performance in respect of sanctions, disbursements, operating income, cost of borrowings, gross profit, operating expenses, net profit, disposable profit, share capital, reserves and outstandings etc.



## 2.5 OBJECTIVES OF MAHARASHTRA STATE FINANCIAL CORPORATION

The State Financial Corporations set up in various States as regional institutions represent an attempt to diversify the structure of development banking in the country to be able to cope with the requirements of small and medium scale industrial enterprises.<sup>1</sup> Thus, in pursuance of the objective, the Maharashtra State Financial Corporation was set up to provide medium and long term financial assistance to small and medium industries. While the normal banking accommodation is made available with a view to satisfy short term financial requirements, the financial assistance provided by the Corporation is for medium and long term financial requirement. Secondly, when the commercial banks fail to provide financial assistance in desired amount, the Corporation in that case, is the major financial source before the industrial enterprises. Because, what the commercial banks provide is still short of the total requirement of the private industrial sector.<sup>(2)</sup> The financial assistance made available by the Corporation is mainly for the capital requirements of industrial enterprises.

## 2.6 SCOPE OF BUSINESS

The State Financial Corporation finances mainly for helping entrepreneurs to set up new industries, undertake programmes of

modernisation, renovation, expansion and diversification. The State Financial Corporation can finance industrial concerns assuming form of - Public Limited Companies, Private Limited Companies, partnerships or proprietary concerns. Generally, the State Financial Corporation can provide financial assistance to an industrial concern to be set up or existing or engaged in the following activities:

- 1) Mining,
- 2) Road transport,
- 3) Manufacture, preservation or processing of goods,
- 4) Hotel industry,
- 5) Providing special or technical knowledge or other services for the promotion of industrial growth,
- 6) Generation or distribution of electricity or any other form of power,
- 7) Fishing or providing shore facilities for fishing or manufacture thereof,
- 8) Developing any area of land into an industrial estate,
- 9) Doctors, medical practitioners,
- 10) Technicians,
- 11) Ex-servicemen,
- 12) Educated unemployed,
- 13) Scheduled caste/Scheduled tribes,
- 14) Development finance.

The Maharashtra State Financial Corporation mainly finances for the medium and long term financial requirements of the industrial enterprises.

The Corporation provides finance mainly to small and medium scale industries. The Corporation applies the criterion of capital investment in fixed assets while identifying an unit whether it is small or medium scale unit. The Corporation defines a small scale industrial unit as - "any industrial unit with total capital investment in fixed assets upto Rs. 35 lakhs and Rs. 45 lakhs for ancillaries".

## 2.7 FUNCTIONS OF MAHARASHTRA STATE FINANCIAL CORPORATION

The State Financial Corporation mainly undertakes the functions mentioned below. However, all the functions mentioned below are not performed by every State Financial Corporation. The functions differ from one State Financial Corporation to other. Broadly, the following functions are undertaken by the Maharashtra State Financial Corporation:

- (1) It grants loans or subscribes to the Debenture issues of the industrial concerns. The loans provided are repayable within 20 years.
- (2) State Financial Corporation may undertake the function of guaranteeing, the loans raised by industrial enterprises repayable within 20 years.
- (3) State Financial Corporation can guarantee deferred payments of capital goods purchased in India.

- (4) State Financial Corporation also underwrites the issue of stocks, bonds or debentures of industrial enterprises subject to their being disposed off in the market within 7 years.
- (5) Provision of foreign exchange loans under the 'World Bank Scheme'.
- (6) Participation in the equity share capital of the Small Scale industrial enterprises coming up in backward areas.
- (7) Acting as an agent of the Central/State Government, the Industrial Finance Corporation of India or any other financial institution for grant of advances to or subscribing for debenture issues of industrial enterprises.

The State Financial Corporation cannot grant assistance to those industrial concerns whose paid up capital and free ~~reserves~~ <sup>reserves</sup> together exceed Rs. one crore.

## 2.8 OPERATIONAL POLICIES OF MAHARASHTRA STATE FINANCIAL CORPORATION

Though the State Financial Corporations Act 1951 lays down general rules for the operations of the Corporations, the respective State Governments have adapted them in their own ways for their corporations. However, all State Financial Corporations in our country have adopted common rules of 'term

financing', normally more than one year upto 10 years.<sup>3</sup> In cases it exceeds 10 years also. The term loans are extended for investment in fixed assets only. The following lines are devoted to the broad features of the operational policies of the Maharashtra State Financial Corporation.

**A) Size of Assistance**

- i) For proprietorship/registered partnership concerns - upto Rs. 15 lakhs.
- ii) Private limited companies/ public limited companies with paid-up capital plus free reserves less than rupees on crore - upto Rs. 60 lakhs.
- iii) Registered cooperative societies - upto Rs. 30 lakhs.
- iv) Minimum assistance Rs. 10,000 but in exceptional cases Rs. 5,000/-.

**B) Duration of Assistance**

The Corporation is authorised to lend upto a period of 20 years but the practice is to lend upto 12 years only, with suitable initial grace periods. It can underwrite shares and debentures subject to their disposal in the market within 7 years.

C) Forms of Assistance

Maharashtra State Financial Corporation is empowered to grant/guarantee loans and underwrite issues. However, as the 'underhand' policy, the Corporation mainly concentrates on lending business and does very little amount of underwriting. Because, the securities of small enterprises<sup>have</sup> a little market involving greater risks. (Some State Financial Corporations have yet to take up this activity.)

D) Nature of Industries to be Assisted

Assistance mainly to small and medium units organised as partnership/proprietary concerns as also private/public limited companies and registered cooperative societies, can be granted by the Maharashtra State Financial Corporation. Agro-based industries, chemicals and machine making industries are given emphasis.

E) Security and Margin

Maharashtra State Financial Corporation provides financial assistance which is normally secured by way of mortgage of fixed assets. Forty per cent margin as the promoter's contribution is required for financial assistance. However, in cases of small industries, it is reduced to around 25 per cent. To technician owned enterprises, the Corporation may lend without

any margin. Concessions/relaxations are available for units coming up in backward areas. Thus, the margin ranges between 5 per cent and 40 per cent of the total cost of proposal.

F) Interest Rate Policy

The interest rates are normally linked with the bank interest rates and Industrial Development Bank of India's refinance interest rates. Presently, the average interest rate is  $13\frac{1}{2}$  per cent per annum. There are a few schemes for which no interest is charged where the loan amount is to be repaid within six months. Industrial Development Bank of India makes available refinance at an interest rate of 3.5 per cent per annum. The bank ensures that the profitability of the Corporations does not suffer while lending at low interest rates to socially desirable projects, projects in backward regions and technician-owned enterprises. For small scale units, the Corporation charges 12 per cent interest and 9 per cent interest for small projects in underdeveloped areas. For other units (with refinance) the lending rate in backward areas is 9.5 per cent, while the normal rate is  $12\frac{1}{2}$  per cent p.a. For units without refinance the average interest rate is 13 per cent p.a. against 10.5 per cent for those set up in backward regions. The Maharashtra State Financial Corporation pursues a differential interest rate policy.

G) Assistance to Technician Entrepreneurs

The Government has been emphasizing encouragement of self-employment. In pursuance of the policy, Maharashtra State Financial Corporation, from 1970, has introduced special schemes for providing concessional finance to technician entrepreneurs. The assistance under this scheme ranges between rupees 2 lakhs and rupees 5 lakhs. The terms are very liberal so far as the margin requirements, the rate of interest and the moratorium on repayment are concerned. Normally, graduates or diploma holders, certified technicians and/or those having adequate experience in the line are eligible for assistance under the scheme. The Corporation provides seed capital assistance to the needy small entrepreneurs from their special share capital exclusively subscribed by the Industrial Development Bank of India and the State Government. The assistance is in the form of equity or soft loans which fills the gap between expected promoter's contribution and the actual amount the promoter can contribute on his own, subject to the limit of 20 per cent of the project cost or Rs. 1 lakh whichever is lower. The soft loan carries a rate of interest which is 1 per cent less than that applicable to projects in backward areas. Proprietary, partnership and private as also public limited companies are eligible for assistance under the scheme. However, preference is given to new technician entrepreneurs and projects



in backward areas.

#### H) Rights to Sanction Loans

The Maharashtra State Financial Corporation, for achieving the objective of decentralisation, has empowered the different officers to sanction loans as shown below:

<u>Name of the officer</u>	<u>Maximum amount sanctioning authority</u>
i) Branch Manager	Upto Rs. 50,000
ii) Regional Manager	.. .. 2,00,000
iii) Managing Director	Above Rs. 2 lakhs, upto 3 lakhs
iv) Managing Committee	Above Rs. 3 lakhs, upto 10 ..
v) Board of Directors	Above Rs. 10 lakhs upto 60 ..

#### 2.9 MSFC COMPARED WITH OTHER STATE FINANCIAL CORPORATIONS

The hitherto discussion regarding the progress made by the Corporation considered its operations within the Maharashtra State only. It will give a broader view if the performance/operations of the corporation are compared with other contemporary corporations in the country. For the purpose, the period from 1960-61 to 1980-81 is considered.

It can be seen from Table No. 2.2 that in 1960-61 there were 15 State Financial Corporations including Maharashtra State

Name of the corporation

Loans disbursed (Rupees in lakhs) during

	1960-	1961-	1962-	1963-	1964-	1965-	1966-	1967-	1968-	1969-	1970-	1971-	1972-	1973-	1974-	1975-	1976-	1977-	1978-	1979-	1980-	1981-
1 Madras/ Tamilnadu	71	130	262	150	144	288	327	83	138	137	332	256	223	347	747	1154	1136	720	826	1026	2310	
2 Punjab	57	89	126	132	142	163	172	71	81	77	102	177	194	274	504	573	501	518	527	644	801	
3 Maharashtra	83	135	165	208	229	246	246	330	300	440	821	651	645	918	1169	1636	1892	1807	2091	2365	3037	
4 Gujarat	19	35	37	52	72	102	108	133	246	345	551	554	697	838	1427	1211	1220	1395	1874	2229	2751	
5 Kerala	23	25	32	36	22	45	59	78	101	116	131	169	284	209	266	504	537	521	629	730	842	
6 West Bengal	21	76	90	129	136	115	120	58	76	65	64	67	80	72	174	268	417	455	415	428	553	
7 Assam	56	60	66	66	95	34	30	36	25	35	21	26	40	66	75	92	80	129	86	86	65	
8 Uttar Pradesh	35	23	26	54	79	82	65	61	76	159	218	410	452	424	475	491	480	749	1089	1668	2499	
9 Bihar	36	44	52	42	20	24	23	43	48	42	75	139	186	297	346	449	520	599	720	817	922	
10 Rajasthan	10	37	42	62	63	62	80	88	62	112	119	160	188	216	283	387	503	523	797	1794	2610	
11 Madhya Pradesh	7	34	94	53	48	141	138	84	43	79	77	84	93	101	114	206	302	375	401	555	661	
12 Andhra Pradesh	27	54	47	82	117	155	171	139	131	102	229	268	328	409	571	682	736	1004	1666	2581	2961	
13 Orissa	7	26	32	119	47	47	54	42	41	45	30	64	81	86	111	219	321	338	524	1078	1763	
14 Mysore/ Karnatak	21	35	60	52	75	79	91	86	139	136	199	321	377	447	751	718	801	717	780	1243	1441	
15 Jammu & Kashmir	2	4	2	9	9	25	45	54	60	74	129	104	87	110	185	253	268	166	306	402	502	
Total	475	807	1133	1246	1298	1608	1729	1386	1567	1964	3098	3450	3955	4814	7198	8843	9715	10316	12731	17646	23718	

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Financial Corporation which had disbursed the highest loan amount, i.e., Rs. 83 lakhs against the lowest disbursement of Rs. 2 lakhs only by Jammu and Kashmir State Financial Corporation. In the year 1980-81 also (the last year of the period under our study) the Maharashtra State Financial Corporation has made highest loan disbursements of the order of Rs. 3,037 lakhs, while the Assam State Financial Corporation is the Corporation claiming for the smallest share of Rs. 65 lakhs only. The disbursements made by the Corporation show a steady increasing trend almost all over the period except during 1968-69, 1971-72, 1972-73, 1977-78 and 1980-81.

The Table No. 2.3 showing simple growth rates of loans disbursed brings out that the Maharashtra State Financial Corporation, which shows simple growth rate as high as 86.59 per cent in 1970-71 shows a declined growth rate to the lowest level of 00.00% in 1966-67. Owing to the decreased disbursements the Table shows minus growth rates during 1968-69, 1971-72, 1972-73 and 1977-78. The poor performance in respect of growth rate is due to the highest loan amounts disbursed almost every year by the Corporation. Thus, the poor performance is expressed in relative terms.

Name of  
the

Year

corporation	1961- 1962	1962- 1963	1963- 1964	1964- 1965	1965- 1966	1966- 1967	1967- 1968	1968- 1969	1969- 1970	1970- 1971	1971- 1972	1972- 1973	1973- 1974	1974- 1975	1975- 1976	1976- 1977	1977- 1978	1978- 1979	1979- 1980	1980- 1981	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
1 Madras/ Tamil- nadu	83.09	101.53	42.74	04.00	100.00	13.54	74.61	66.26	00.72	142.33	22.89	12.89	55.60	115.27	54.48	01.55	36.61	14.72	24.21	125.14	
2 Punjab	56.14	41.57	04.76	07.57	14.78	05.52	58.72	14.08	04.93	32.46	73.52	09.60	41.23	83.94	13.69	12.56	03.39	01.73	22.20	24.37	
3 Mahara- shtra	62.65	22.22	26.06	10.09	07.42	00.00	34.14	09.09	46.66	86.59	20.70	00.92	42.32	27.34	39.94	15.64	04.49	15.71	13.10	28.41	
4 Gujarat	84.21	05.71	40.54	38.46	41.66	05.88	23.14	84.96	40.24	59.71	00.54	25.81	20.22	70.28	15.13	00.74	14.34	34.33	18.94	23.41	
5 Kerala	08.69	28.00	12.50	38.88	104.54	31.11	32.20	29.48	14.85	12.93	29.00	68.04	26.40	27.27	89.47	06.54	02.97	20.72	16.05	15.34	
6 West Bengal	261.00	18.42	43.33	05.42	15.44	04.34	51.66	31.03	14.47	01.53	04.68	19.40	10.00	141.66	54.02	55.59	09.11	08.79	03.13	29.20	
7 Assam	7.14	10.00	00.00	43.93	64.21	11.76	20.00	30.55	40.00	40.00	23.80	53.84	65.00	13.63	22.66	13.04	61.25	33.33	00.00	24.41	
8 Uttar Pradesh	34.28	13.04	107.69	46.29	03.79	20.73	06.15	24.59	109.21	37.10	88.07	10.24	06.19	12.02	03.36	02.24	56.04	45.39	53.16	49.82	
9 Bihar	22.22	18.18	19.23	52.38	20.00	04.16	86.95	11.62	12.50	78.57	85.33	33.81	59.67	16.49	29.76	15.81	15.19	20.20	13.47	12.85	
10 Rajas- than	270.00	13.51	47.61	01.61	01.58	29.03	10.00	29.54	80.64	06.25	34.45	17.50	14.89	31.01	36.74	29.97	03.97	52.39	125.09	45.48	
11 Madhya Pradesh	385.71	176.47	43.61	09.43	193.75	02.12	39.13	48.80	83.72	02.53	09.09	10.71	08.60	12.87	80.70	46.60	24.17	06.93	38.40	19.09	
12 Andhra Pradesh	100.00	12.96	74.46	42.68	32.47	10.32	18.71	05.75	22.13	124.50	17.03	22.38	22.38	39.60	19.43	07.91	36.41	65.93	54.92	14.72	
13 Orissa	271.42	23.07	271.87	60.50	00.00	14.89	22.22	02.38	09.75	33.33	113.33	26.56	26.56	29.06	97.29	46.57	05.29	55.02	105.72	63.54	
14 Mysore Karnatak	66.66	71.42	13.33	44.23	05.33	15.18	05.49	61.62	02.15	46.32	61.30	17.44	18.56	68.00	04.39	11.55	10.48	08.78	59.35	15.92	
15 Jammu & Kashmir	100.00	50.00	350.00	00.00	177.77	80.00	20.00	11.11	23.33	74.32	19.37	16.34	26.43	68.18	36.75	05.92	38.05	84.33	31.37	24.87	

Table 2.4: Compound growth rates of loans disbursed by different SFCs.

1	Madras/Tamilnadu	SFC	1.180
2	Punjab	..	1.134
3	Maharashtra	..	1.187
4	Gujarath	..	1.267
5	Kerala	..	1.187
6	West Bengal	..	1.169
7	Assam	..	1.007
8	Utter Pradesh	..	1.265
9	Bihar	..	1.167
10	Rajasthan	..	1.303
11	Madhya Pradesh	..	1.362
12	Andhra Pradesh	..	1.250
13	Orissa	..	1.428
14	Mysore/Karnataka	..	1.223
15	Jammu and Kashmir	..	1.345

Source: Computed from Table No. 2.2.



Table No. 2.4, which has described compound growth rates, shows compound growth rate as low as 1.007 of Assam State Financial Corporation while it shows compound growth rate as high as 1.428 claimed by Orissa State Financial Corporation. It is seen from the Table that Maharashtra State Financial Corporation claims for the compound growth rate of 1.187.

Corporation	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
1 Madras/Tamilnadu	132	132	132	132	154	235	285	285	290	300	300	300	300	299	300	400	650	850	1049	1350	1450
2 Punjab	100	100	100	100	100	100	100	75	75	75	75	75	75	75	150	250	250	300	395	471	537
3 Maharashtra	200	200	100	100	100	100	150	150	150	150	175	219	265	295	330	446	543	592	758	982	1327
4 Gujarath	50	100	100	100	100	100	100	100	100	100	150	200	300	300	400	500	640	800	1000	1000	1446
5 Kerala	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	170	219	335	285	291	560
6 West Bengal	100	100	100	100	100	100	100	100	100	100	100	150	150	150	150	170	190	250	310	370	619
7 Assam	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	110	110	110	170	277
8 Uttar Pradesh	100	100	100	100	100	100	145	170	185	185	185	185	225	225	265	300	375	495	645	745	1450
9 Bihar	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	200	350	350	420	550	905
10 Rajasthan	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	150	250	300	300	550	1228
11 Madhya Pradesh	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	110	130	170	190	200	493
12 Andhra Pradesh	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	250	388	428	468	508	1367
13 Orissa	50	50	100	100	100	100	100	100	100	100	100	100	100	100	100	104	104	142	146	266	951
14 Mysore/Karnatak	100	100	100	100	100	100	100	100	100	100	100	150	150	150	175	250	350	420	510	690	1120
15 Jammu & Kashmir	41	50	50	50	50	50	50	77	77	77	77	77	77	77	77	77	89	100	113	125	195
Total	1523	1582	1532	1532	1554	1635	1780	1807	1827	1837	1912	2106	2292	2321	2597	3477	4638	5642	6699	8268	13925

The Table No. 2.5 dealing with capital of different State Financial Corporations, expresses that the highest capital of Rs. 200 lakhs is held by Maharashtra State Financial Corporation, while Jammu and Kashmir State Financial Corporation holds merely Rs. 41 lakhs, in 1961. But in 1981, the Maharashtra State Financial Corporation stands fourth in the rank of highest capital holders while Tamilnadu Industrial Investment Corporation and Uttar Pradesh State Financial Corporation are the two highest claimants with Rs. 1,450 lakhs each. Jammu and Kashmir is the only State Financial Corporation claiming just Rs. 195 lakhs capital holding.

#### 2.10 ORGANISATIONAL SET-UP OF MAHARASHTRA STATE FINANCIAL CORPORATION

"Management is a process of designing and maintaining the internal environment for organised effort to accomplish group goals".<sup>4</sup>

The various schemes formulated by an enterprise can best be implemented only if sufficient manpower within a neatly arranged framework of positions is made available at various levels.

The Maharashtra State Financial Corporation with decentralised organisation has got 32 branch offices including 9 regional offices all over Maharashtra, Goa, Daman and Diu.<sup>5</sup>



1) Bombay-Konkan, 2) Thane, Daman and Diu, 3) Nashik and Pune, 5) Kolhapur, 6) Nagpur, 7) Amravati, 8) Aurangabad, 9) Goa are the 9 regions of Maharashtra State Financial Corporation.

The Corporation has got its offices at the following places:

1) Greater Bombay, 2) Raigad, 3) Ratnagiri, 4) Thane, 5) Daman, & Diu, 6) Dhule, 7) Jalgaon, 8) Nasik, 9) Ahmednagar, 10) Pune, 11) Solapur, 12) Kolhapur, 13) Sangli, 14) Satara, 15) Bhandara, 16) Chandrapur, 17) Gadchiroli, 18) Nagpur, 19) Wardha, 20) Akola, 21) Amravati, 22) Buldhana, 23) Yeotmal, 24) Aurangabad, 25) Beed, 26) Jalna, 27) Latur, 28) Nanded, 29) Osmanabad, 30) Parbhani, 31) Goa, 32) Sindhudurg.

The Board of Directors, with the assistance of Executive Committee and a Managing Director, carries out general superintendence, direction and managerial work. The Board of Directors is empowered to formulate policies, discharge all the functions and exercise the powers vested in it, in the manner and way which it deems most suitable but within the boundaries of the "State Financial Corporations Act, 1951".

The Chairman of the Corporation is nominated by the Government of Maharashtra. Two Directors are nominated by the Government of Maharashtra. One Director is nominated by the Government of Goa, Daman and Diu. One Director is nominated by

Reserve Bank of India, Industrial Development Bank of India nominates two Directors. One Director is elected to represent Insurance Companies (including Life Insurance Corporation), Investment Trusts and other financial institutions. One Director is elected to represent Scheduled Banks while another Director is elected to represent co-operative Banks. One Director is elected to represent shareholders referred to in clause (d) of sub-section (3) of Section (4) of the SFCs Act.

The Managing Director is appointed by the Government of Maharashtra in consultation with Reserve Bank of India. He looks after the day-to-day business affairs of the corporation and also the administrative affairs of the corporation. He is assisted in his work by Chief Administrative Officer and other officers of the rank of Secretary.

The executive posts mentioned below play an important role in the implementation of the policies and functions of the corporation -

- 1) General Manager (Co-ordination),
- 2) General Manager (Operations and development),
- 3) Chief Administrative Officer,
- 4) General Manager (Appraisal),
- 5) General Manager (Finance and Accounts),
- 6) General Manager (Legal),

- 7) General Manager (Technical),
- 8) Deputy General Manager (Statistics),
- 9) Secretary,
- 10) Economist,
- 11) Deputy General Manager (Accounts),
- 12) Deputy General Manager (Post-sanction/Follow-up)
- 13) Deputy General Manager (Technical)
- 14) Public Relations Officer.

At the same time the credit of efficient working of the Corporation also goes to the Regional and Branch Managers, Inspectors, Assistants, Clerks/Typists, Junior Officers and Secretaries etc.

The Corporation, at the time of its formation, had just 67 members of the staff whereas, in 1984-85 the same has increased to 1,076. The number of offices also has increased to 33 in 1984-85 from that of only 2 in 1962-63.

The following are some of the important sections and cells of the Corporation making co-ordinated efforts for achieving the goals of Maharashtra State Financial Corporation:

I) Appraisal Cell: The applications received from the regional offices are sent directly to this cell. The cell exclusively deals with these applications for appraisal of the proposals.

II) Technical Cell: If the schemes submitted by the borrowers are technically feasible or not is studied by this cell. This wing prepares background material for the Technical Experts Committee.

III) Legal Cell: Prior to setting up of this cell, the work relating to scrutiny of the title deeds of borrowers, marketability of titles and legal documents etc. were done by professionals which would entail higher expenses and delays. To avoid this, the Corporation has set up Legal Cell at the Head Office and, now, at regional offices also. All work relating to legal procedure to be followed is done by the staff of Legal Cell. The Cell also assists the Corporation on legal matter while recovering the overdues.

IV) Recovery Cell: Though the recovery of money advanced is done by regional offices, for the purpose of co-ordination and keeping the overdues within its control the Corporation has opened Recovery Cell at Head Office in Bombay. This cell also considers reschedulement of payments in diserving cases.

V) Business Development Cell: This cell aims at development of activities and especially promotion of new business.

VI) Economics and Statistics Section: A Statistician and an Economist are the two constituents of this section. All information regarding statistics of the Corporation's activities is collected and produced by the Statistician. While information

on economic aspects is furnished by the Economist.

VII) Publicity and Public Relations Cell: This Cell entertains queries, suggestions and complaints from people. Various leaflets, pamphlets, reports and other related literature is published by this Cell.

VIII) Secretary (Corporation): He is in-charge of the meeting of Board of Directors and the Executive Committee. He deals with establishment matters including registry and records. He also deals with post-sanction scrutiny of the loan applications above Rs. 2 lakhs, Refinance and Credit Guarantee Scheme, and Insurance. He records minutes of both the meetings and circulates it to the members.

IX) Secretary (Law): This Secretary attends to all legal matters and is assisted by a law officer and one assistant Secretary. Recovery of delayed overdues is also done by this section through an assistant Secretary.

X) Secretary (Accounts): All work relating to maintenance of accounts and preparation of financial statements is entrusted to this section. The accounts Secretary is assisted by one assistant Secretary.

XI) Secretary (O. & M.): Detailed inspection of all regional offices, branch offices and sub-offices is done by this Secretary. Part of establishment work is also looked after by him.

XII) Technical Officer: He is in charge of the technical wing. Assistant Technical Officer assists him. Inspection of machinery, preparation of feasibility report is done by this section. This section assists new entrepreneurs in preparing their schemes and advises them from time to time in respect of technical feasibility of their proposals. One Technical Inspector is appointed at every Regional Office.

XIII) Internal Audit Section: Two Internal Auditors are posted - one for the audit of the central office and Bombay regional office and another <sup>for</sup> audit of remaining regional offices.

There are as many as 13 sections in the Central Office as mentioned below:

- 1) General Administration Section,
- 2) Registry,
- 3) Legal Section,
- 4) Recovery Section,
- 5) Accounts Section,
- 6) Statistical Section,
- 7) Inspection Wing,
- 8) Insurance Section,
- 9) Post-sanction Section,
- 10) Technical Wing,
- 11) Refinance and Guarantee,
- 12) Appraisal Section,
- 13) Development and Promotion.

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