INTRODUCTION OF THE SUBJECT :

India has made significant progress in the field of industrial development within a period of three and a half decade since Independence; so that India has obtained a place of pride by standing amongst the top ten industrially advanced countries of the world. India's manufacturing sector has crossed the level of Rs. 200 billions and it accounts for about one-fifth of our Gross National Product.

Maharashtra State of Indian Union ranks first in manufacturing activities. It accounts for one-fifth of the national productive capital and employment. It accounts for one-eighth of the total number of factories in India, one-fourth of the gross output and value added by the organised industrial sector of the economy. In terms of per capita value it stands about three times higher than the national average and has best developed infrastructure in the country.

The performance of Indian economy in the field of small-scale industries and rural industries has also been very much impressive in recent years. The share of small-scale and rural industries in the output of private sector accounts for about 55 percent. When employment is taken into consideration for the industrial sector as a whole,

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the small-scale sector accounts for about 75% of it. The number of small-scale and rural industrial units of different sizes and labour intensity has been estimated at around eight millions as compared to about seven thousand large-scale factories. The value of production of small-scale and rural industries in India has been around Rs.10,000 crores, number of persons employed about 2 crores and the value of the exports is around Rs.1,000 crores. Thus the small-scale and rural industries account for 40% of total industrial production and employment and about 25% of the exports of the country. The major portion of production in about one hundred items like, hosiery, leather and sports goods are produced in the small-scale sector of Indian economy.

The large and medium units in Maharashtra are around 1000 at present while the small-scale units have increased from 5,000 in 1961 to 45,000 by the end of the year 1980-81. They provide employment to about seven lakhs of persons and the total investment stands at about Rs. 600 crores, producing the output valuing Rs.1,500 crores approximately. The State's share in the small-scale industrial units in the country stands at present about 12%, the highest for any State in India. About 70% of large industries have so far been moved into the developing regions which have provided necessary stimulus to start a large number of ancilliary units in the State.

Kolhapur Region of Maharashtra State is welknown for agro-based industries, small-scale units, which are specialised in manufacturing oil engines, spare parts of oil engines, other allied agricultural implements. An outstanding feature of these units is that most of these units are owned and managed by small entrepreneurs who started their career as industrial labour. The talent of entrepreneurship is not only common in industrial field but also in agricultural field. Kolhapur is famous for high quality and tasteful jaggery. On account of rapid development of irrigation facilities and availability of black and fertile soil, Kolhapur district ranks second in the Maharashtra State. As a result, by the end of the year 1975-76 there were 12 co-operative sugar factories registered in the district besides one in the private sector which has been recently being converted into co-operative sugar factory. Out of these 12 co-operative sugar factories, 10 are in the stage of production and the recovery percentage of sugar is relatively higher as compared to the national average. These factories contribute significantly to the State's total sugar production.

Another important industry which is predominant in small-scale sector and has an export value is Leather Industry Manufacturing Kolhapuri Chappals by name. There are around 1721 small-scale and cottage units in the district manufacturing Kapshi and Kolhapuri chappals

which are quite popular not only in India but also in some foreign countries.

Kolhapur Region is also famous for its co-operative spirit amongst inhabitants and the origin of which can be traced in Pud.-System of Sugarcane cultivation. Thus the co-operative activity was common in the region even before the co-operative movement was started in India in the year 1904. On account of good quality of soil, spirit of co-operation among the people and healthy environment, the co-operative activity developed rapidly in this region. Today Kolhapur district provides leadership to the co-operative movement in Maharashtra.

In early stages of economic development of the region, the co-operative spirit amongst entrepreneurs and principle of mutual aid to each other helped to promote a large number of small-scale manufacturing units. Since independence a large number of financial institutions came into existance which helped in a big way to develop small-scale units in the region. Nationalisation of the Commercial Banks and the establishment of District Industrial Centres contributed significantly in the development of small-scale manufacturing units in the region. The State Financial Corporation has played a key role in promotion and development of small-scale units in the region.

Maharashtra State Financial Corporation (MSFC) is welknown for its outstanding work in the field of assisting a very large number of small-scale units in State. It has achieved a name and fame as the most leading regional development bank in the country. Taking into consideration the financial assistance given to the small-scale units upto Rs. 5 crores, accounts for about 94 percent, out of this, 85 percent of the number of units given assistance were for the loans upto Rs. 2 lakhs and 65 percent upto Rs. One lakh. It is interesting to note that only 5 percent of the units received assistance above Rs.5 lakhs. On account of this assistance it has been possible to create an employment potential of around 30,000 every year.

During the year 1982-83 sanction and disbursements reached the record of Rs. 50 crores and Rs. 32 crores respectively which are observed to be the highest in the history of the Corporation since inception leading the aggregate of sanction amounting to Rs. 390 crores and to more than 15,000 units. This accounts for little more than one-fifth of all the State Financial Corporations' sanctions in the country as a whole and little more than two-fifth in terms of number of units assisted.

Maharashtra State Financial Corporation (MSFC) had to face a large number of difficulties in its initial stages. However, soon it was successful in overcoming these

problems. If started to rank first among all the State Financial Corporations in India both in case of sanctions and disbursements to small-scale industrial units as well as in income, reserve and recoveries. Even today the MSFC enjoyes the same position. It extends the assistance in form of term loans for purchase of Land, Construction of factory buildings, Plant and Machinery and even for indispensable movable assets e.g. tools and equipments like, Jigs, Fixtures, Types etc. Even working capital upto Rs.25,000/- under composite loan scheme is provided by MSFC to tiny industries. For larger amounts, an arrangement has been made by MSFC with several nationalised banks, as a result of which, any unit sanctioned by MSFC for term loan is provided with working capital by the bank on MSFC's appraisal. This helps to avoid delay and duplication.

MSFC is also keen on reducing the time-lag between receipt of application and sanctions and between sanctions and disbursements. Now-a-days it takes hardly two to three months or even less. The period for repayment of MSFC loans is ten years with two years' moratorium on principal. In case of technocrats the moratorium period is three years on principal and eighteen months on the interest.

MSFC is keen on introducing new schemes in addition to general schemes for small-scale industries, in order to promote rapid industrial development especially in small-scale and rural industries sector.

AIMS AND OBJECTIVES OF PRESENT STUDY :

Taking into consideration an important role played by MSFC the present study was undertaken with the following aims and objectives :

1. To study the history, growth and financial assistance provided by MSFC in past.
2. To study historical perspective the financial assistance given by MSFC in Kolhapur Region.
3. To study the working and Organisational aspect of MSFC.
4. To study various schemes of financial assistance of MSFC from the point of view of critically evaluating them.
5. To suggest ways and means to improve the efficiency and working of MSFC.

NEED FOR THE PRESENT STUDY :

For the purpose of rapid development of a region, industrial development has to take place. In the context of Indian conditions, Small-scale industries play an important role in this sphere. Finance has been regarded as the life-blood of modern industries. Adequate and timely finance is absolutely necessary for smooth working of the wheels of the industrial machine and to prevent its breakdown. Lack of adequate finance is one of the causes of slow development of small-scale industries in India. Industry needs funds for capital expenditure as well as to meet the requirements of the working capital.

The Maharashtra State Financial Corporation (MSFC) has done an outstanding work in this respect. In the past it has provided funds on easy terms to a large number of small-scale industries in various regions of Maharashtra State.

Kolhapur Region is a rapidly developing region of the Maharashtra State and has contributed significantly in the process of economic development of the state.

It is in this context that, for the purpose of Present Study the financial activities of the MSFC relating to Kolhapur Region have been selected for the purpose of Present Study. The MSFC is working in this field since last few decades which provides fertile grounds for such a study.

METHODOLOGY ADOPTED :

For the purpose of present study the necessary data was made available from various sources. The currency and finance reports of Reserve Bank of India for various years were very much useful in generating the data regarding Finance Assistance of various financial institutions for respective years.

The main source of data was Annual Reports of Maharashtra State Financial Corporation for the years 1978-79 to 1982-83 and office Records of MSFC Kolhapur Region.

MSFC also publishes a large number of pamphlets and circulars which were able to give detailed information about its new schemes.

Detailed discussions that were held with the concerned officers of MSFC both at Kolhapur and in Poona were of much use in throwing the light on the problems faced by them while sanctioning the Loans as well as the problems faced by the small-scale entrepreneurs while taking the advantage of various facilities provided by MSFC.

About twenty beneficiaries of MSFC were interviewed in detail with a view to understand the problems faced by them. An attempt was made through these interviews to

obtain the first hand information in person from various persons are sought, individual suggestions regarding easy and quick sanction and utilisation of financial assistance extended by the MSFC. For this purpose a Special Questionnaire was prepared which has been attached in the Appendix which covers the questions relating to Capital invested, Products produced, markets served, total finance utilised, borrowed funds in which the contribution of the MSFC's finance and the problems faced by the entrepreneurs while securing the loans from the MSFC. The data thus collected has been analysed and presented in the following pages in order to arrive at certain conclusions and to make suggestions with a view to improve the efficiency of the working of the MSFC.

LIMITATIONS OF THE PRESENT STUDY :

Taking into consideration the Key Role played by the MSFC in promoting and developing a large number of small-scale industries in Kolhapur Region, it would have been more interesting to study the contribution of the MSFC in this region in the total capital formation of the small-scale industries. However, on account of unwillingness of the respondents to disclose essential details of their balance sheets has been one of the major limitations of the Present Study. The respondents expressed their views regarding their opinions and expectations in respect of working of the MSFC in this region. The full advantage of it has been taken for the purpose of Present Study. The availability of time and other resources has also worked as limitations for the study.