CHAPTER - I

MSFC : ITS GROWTH AND DEVELOPMENT

1.1 History & Development of MSFC

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1.5 Constitutions & Composition of MSFC

1.6 Organisational Structure of MSFC

1.7 Workings of Regional Offices of MSFC

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1.10 A Decade of Growth of MSFC and its analysis.

1.1 HISTORY AND DEVELOPMENT OF MAHARASHTRA STATE FINANCIAL CORPORATION

Maharashtra State Financial Corporation was set up under an Act of Parliament entitled State Financial Corporation Act 1951 to assist industrial development by catering to the financial needs of term loans of small-scale and medium-scale industries for acquisition of fixed assets like land, building, machinery and equipments. MSFC has been working in pre-reorganised Bombay State from Dec. 21st, 1953 and in reorganised Bombay State's MSFC was established on August 14, 1962. Besides Maharashtra, Jurisdiction of MSFC includes since August 1964 the Union Territory of Goa, Daman and Diu.

MSFC gives financial assistance in the form of loans on easy terms of interest and sufficient time for recovery to small entrepreneurs in particulars for acquiring fixed assets like land, construction of factory buildings and for plant and machinery.

MSFC has been highly decentralised organisation of its kind in the country. The MSFC Board is composed of highly professional personnel which includes Director, Chairman and Managing Director, Representatives of the Reserve Bank of India, the International banks, the Industrial

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Development Bank of India, Insurance Companies, Co-operative Banks and of Shareholders. The Chairman and Managing Director is nominated.

MSFC has a Head office, 9 Regional offices, 13 Branch offices and 11 Field offices spread in different districts of Maharashtra and Union Territory of Goa, Daman & Diu. Though MSFC is an autonomous body but it functions in full co-operation with the State Government and Industrial Development Bank of India (IDBI).

1.2 OBJECTIVES OF MSFC :

Objectives and Goals :

" A distinction between those two terms is necessary. One starts with the objectives and develops goals. Objectives are broad and general statements of purposes. They are always pursued but seldom completely achieved in terms of time. They are the things that continuously motivate management in business. Two such fundamental objectives are : Survival and Growth. Goals, on the other hand, are the targets or descriptions of things aimed at in a given time span. They may be established for profits, sales, share of the market, employment, assets acquisition, and a number of other measures used in organisational life. The goals can be considered yardsticks by which corporate progress is measured. A change from time to time, for

instance, in the goals pertaining to share of the market may change as internal and external developments occur. While goals change over time, basic objectives relatively remain stable. Goals are the key stones in the arch of planning and strategies of programmes are fixed in their achievement. Unfortunately, the theory of business goals is still in rather poor shape today." *1

Objectives :

"In order to provide medium and long-term credit to industrial undertakings, which falls outside the normal activities of commercial banks, a Central Industrial Finance Corporation was set up under the Industrial Finance Corporation Act, 1948 (XV of 1948). The State Governments wish that similar corporations should also be set up in the States to suplement the work of the Industrial Finance Corporation. The intention is that the State Corporations will continue their activities to financing medium and small-scale industries and will, as far as possible, consider only such cases as are outside the scope of the Industrial Finance Corporation. The State Governments also consider that the State Corporation should be established under a special Statute in order to make it possible to incorporate in the constitution

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*1 (S.C. Kuchhal, Corporation Finance Principles & Problems) Chaitanya Publishing House, Allahabad-2, PP.88

necessary provisions in regard to majority control by Government, guarantee by the State Government in regard to the re-payment of principal, and payment of a minimum rate of dividend on the shares, restriction on distribution of profits and special powers for the enforcement of its claims and recovery of dues. Since the incorporation, regulation and winding up of such corporations fall within the purview of Parliament (Vide Entry No.43 of the Union List) the State Governments have requested the Government of India to enact the necessary enabling legislation which is sought to be effected by this bill."*2

Objectives of MSFC :

The Maharashtra State Financial Corporation (MSFC) has been set up under an Act of Parliament entitled " The State Financial Corporation's Act, 1951" to assist industrial development by catering to the financial needs of the medium and small scale industries in accordance with the industrial policy of the Government.

The MSFC operates in Maharashtra State from 1963 and in the Union Territory of Goa, Daman and Diu since 1964. The main objective of MSFC is to promote more (and more industries) in backward and developing areas of Maharashtra State and in the Union Territory of Goa, Daman & Diu.

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*2 Chitaley B.V. and S.Appu Rao : The A.I.R. Manual, All India Reporter Ltd., Nagpur, Third Edition,1976, PP 608-609.

1.3 FUNCTIONS OF MSFC :

The main function of MSFC is to meet the term loan requirements of small-scale and medium scale industries for acquisition of fixed assets like land, building, machinery and equipment.

The loans are given for setting up new industrial units as well as for expansion and modernisation of the existing units.

Though MSFC is an autonomous body but it functions in full co-operation with the State Government and the Industrial Development Bank of India (IDBI).

1.4 SERVICES RENDERED BY MSFC :

The following are the main services rendered by MSFC :

i) MSFC grants term loans upto Rs. 30 lakhs to the limited companies and registered co-operative societies and Rs. 15 lakhs for proprietory and partnership for acquiring fixed assets.

ii) MSFC also finances projects with large capital outlay upto Rs. 2 crores in participation with SICOM/All India Financial Institutions/ Commercial Banks etc. However, in such cases also assistance from MSFC will be limited to Rs. 30 lakhs.

iii) MSFC provides seed capital assistance to the new Entrepreneurs who possess necessary skill or practical experience but lack requisite finance for setting up small scale industrial units to meet the gap in the promoter's contribution. The seed capital assistance is given sufficiently to bridge the gap subject to a maximum limit of Rs. 2 lakhs or 20% of the cost of the project whichever is lower, at a normal rate of interest of 1% per annum. This assistance may be in the form of soft loan or equity. In the case of private limited companies, it may be by way of equity/soft loan on redeemable cumulative preference shares. Wherever Government Seed Capital, routed through Regional Development Corporation, is available, MSFC normally does not grant Seed Capital.

iv) MSFC gives loans at concessional rate of interest subject to the availability of refinance from IDBI in the 17 backward districts of Maharashtra State, viz. Raigad, Ratnagiri, Sindhudurga, Dhule, Jalgaon, Aurangabad, Jalna, Osmanabad, Beed, Parbhani, Nanded, Latur, Buldhana, Yavatmal, Chandrapur, Gadchiroli, Bhandara and in the Union Territory of Goa, Daman and Diu.

v) MSFC gives short term loans which are interest free for first Six months in case of Small-scale industries units against the sanction of Central Subsidy in the

Six districts of Maharashtra State viz. Aurangabad, Jalna, Ratnagiri, Sindhudurga, Chandrapur and Gadchiroli and in the Union Territory of Goa, Daman & Diu.

vi) MSFC grants loans for importing plant and machinery under OGL against the import license obtained by the industrial concern.

1.5 CONSTITUTION & COMPOSITION OF MSFC :

The MSFC has been set up under an Act of Parliament entitled the "State Financial Act,1951" to assist industrial development by catering to the medium and small-scale industries in accordance with the industrial policy of the Government. The MSFC operates in Maharashtra State from 1963 and in the Union Territory of Goa, Daman and Diu since 1964.

The Maharashtra State Financial Corporation was incorporated with an Authorised Shared Capital of Rs.10.00 crores. However, the paid-up Share Capital of the Corporation reached the level of Rs.10.00 crores in the year 1980-81, because of ever increasing and the diversification in respect of a large no. of Schemes initiated and implemented by the MSFC, this compared the amendment S.F.C. Act by which the limit of Share Capital will soon be raised to Rs.50.00 crores. Meanwhile the IDBI has permitted the SFC to accept loans which will be converted into Share Capital

as soon as the requisite amendment will be made in the SFC's Act. During the year 1982-83 the Corporation has accepted Convertible Loans of the order of Rs. 1.60 crores of which Rs. 1.50 crores were contributed by Government of Maharashtra and Rs. 0.65 crores each by the Government of Goa, Daman and Diu, and IDBI. Thus, the total convertable loan accepted by the Corporation by the end of 1982-83 amounted to Rs. 4.90 crores. The holdings of various shareholders as classified under sub-section (3) of Section 4 of the State Financial Corporations Act as on 31st March, 1983 are as the Table 1.1 which is given as follows :

TABLE NO. 1.1
Holdings of Various Shareholders
as on 31st March, 1983

	No. of Share-holders	No. of shares	Amount of holding (Rs.in Crs.)	% of holding
a)i.Govt. of Maharashtra	1	4,02,187	4.023	40.22
ii.Govt. of Goa,Daman & Diu	1	80,438	0.804	8.05
b)i.Reserve Bank of India	-	-	-	-
ii.Development Bank	1	4,58,135	4.581	45.81
c) Scheduled Banks,Insurance Companies, Investment Trusts Co-operative Banks & other -Financial Institutions	69	56,545	0.565	5.65
d) Parties Other than (a),(b), (bii) and (c) above	114	2,695	0.027	0.27
Total	186	10,00,000	10.000	100.00

(Source : 21st Annual Report 1982-83 Page No.2)

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The MSFC had to raise additional funds to satisfy the demand of a large no. of borrowers, by way of Borrowings and Deposits by the end of 1982-83 the Corporation had to raise about Rs. 57.00 crores, by way of Bonds and Debentures; Rs. 73.00 crores from the IDBI. The Corporation was successful in achieving the Fixed Capital of the order of Rs. 10.00 crores by the end of 1982-83. The Banking Sector provided the rest of the Finance under the head, "Borrowings and Deposits".

The MSFC is under the Control and Management of the Board of Directors constituted of 12 members, out of which 3 are nominated by the Government of Maharashtra and one of them is nominated as the Chairman of the Board. On the Board there are three nominees, one representing the RBI and two of them are representing the IDBI. There is one member in the Board nominated by the Govt. of Goa, Daman & Diu. There are four elected representatives, each from Insurance Companies, Scheduled Banks, Co-operative Banks and Shareholders. The Managing Director of the Board is appointed by the Govt. of Maharashtra.

The Chairman of the Board shall be the Chairman of All General Meetings. In the absence of the Chairman of the Board, a Director (other than the Managing Director) authorised by the Chairman in writing in this behalf shall be the Chairman of All General Meetings. And in default of such authorisation or in the absence of the Director

so authorised, the meeting may elect say other Director, to be the Chairman of the meeting.

The Chairman shall regulate the procedure of all general meetings, and in particular, shall have full power to decide the order in which shareholders may address the meeting, to fix a time limit for speeches, to apply the closure in his opinion any matter has been sufficiently discussed and to adjourn the meeting.

1.6 ORGANISATIONAL STRUCTURE OF MSFC :

(i) What is Organization ?

Organization is the executive structure of a business. It is a basic framework within which the executives' decision-making occurs. In a static sense an organization is a structure manned by group of individuals who are working together towards a common goal. In a dynamic sense organization is a process of welding together a framework of positions which can be used as management tool for the most effective pursuit of the goals of an enterprise.

(ii) Definitions of Organization

a. "Organization is a process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives"[3]

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*3 (Lois A.Allen, Management & Organization, PP 57)

b. "Organisation means the determination and assignment of duties to people, and also the establishment and the maintenance of authority relationships among these grouped activities." *4

c. In the words of Oliver Sheldon :
"Organisation is the process of combining the work which individuals and groups have to perform with the facilities necessary for its execution that the duties so performed provide for the best channels for efficient, systematic, positive and co-ordinated application of the available effort."

d. Mooney and Reiley describe organisation as,"the form of every human association for the attainment of a common purpose."

(iii) Importance of Organisation :

No enterprise can be run successfully without organisation. In the absence of organisation there will be all chaos in the working of the enterprise and it will tumble down in no time. Organisation is the time honoured mechanism that enables people to work together.
"Organisation is for the purpose of creating relationships that will minimise fraction, focus on the objective, closely define the responsibilities of all parts and facilitate the attainment of the objective."
(Spriegel & Lansburg, Principles of Business Organisation and Operation)

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*4 Theo Haiman, Profession Management PP 136.

Organisation enables management to make maximum and efficient use of factors of production viz. land, labour and capital. Plans and resources done, however, good they may be, cannot lead business to success; there must be sound organisation to execute the plans in right direction. According to Lois A. Allen, Management and Organisation, sound organisation is indispensable because it ----

i) facilitates administration,

ii) makes growth and diversification possible through specialisation, better use of personnel and systematic efforts,

iii) provides for optimum use of technological improvements,

iv) encourages good human relations,

v) stimulates independent, creative thinking and initia-
-tive through well defined areas of work.

(iv) Aspects of Organisation :

a. Optimum use of human efforts :

Because of division of labour and following the princi-
-ple 'right man at right place', the organisation can make best use of the knowledge, skill & experience of the workers. Divisions of labour leads to specialisation.

b. Co-ordination :

Different departments, sections, functions and activities are linked together by structural relationships.

c. Scope for training and developing managers :

Management personnel are required to undertake different

jobs as a result of rotation. As a result management personnel get automatic training and become fit for higher jobs.

d. Growth and expansion :

Organisation help the business enterprise to expand its size according to needs.

e. Departmentation :

The operating work is divided in technical, financial, legal work.

f. Decentralisation :

The managerial work is divided and specific duties are assigned to various executive heads.

g. Delegation :

By delegation, the various decisions in the organisation structure are tied together. The managers are assisted by staff. The use of staff lightens the burden of the key executives and in a large organisation staff service is important. Staff acts as adviser to the line authority.

h. Span of Control :

A single executive is unable to manage effectively too many subordinates. If this span is crossed, supervision and control become inadequate and ineffective. If too many subordinates are called upon to report to one boss, the officer in charge cannot attend to their problems effectively and control will be ineffecient.

Span of Control greatly affects the structure of organisation. Under a shorter span, there are few subordinates for each manager. It produces a tall organisation of so many levels of management & hence communication becomes difficult.

(v) Organisational Structure of MSFC :

MSFC is a highly decentralised organisation and has got net work of offices in all the districts of Maharashtra and Goa except Gadchiroli and Osmanabad. There are 9 Regional offices and 20 Branch offices. The 9 Regional offices are located at Bombay, Thane, Nasik, Kolhapur, Pune, Aurangabad, Nagpur, Amravati and Goa. The Branch offices are located at Panvel, Ratnagiri, Kudal, Akola, Chandrapur, Wardha, Bhandara, Buldhana, Yawatmal, Ahmednagar, Solapur, Sangli, Satara, Nanded, Jalgaon, Beed, Dhule, Jalna, Prabhani and Latur. MSFC has also got field Offices at two places viz. Madgaon and Daman in Goa.

(vi) Organisation of MSFC :

The general superintendence, direction and management of the affairs and business of the Financial Corporation vests in the Board of Directors which, with the assistance of the Executive Committee and a Managing Director, exercises all the powers and discharges all the functions which may be exercised or discharged by the Financial Corporation. Regarding the composition of the Board of Directors, the State Financial Corporations Act, 1951

gives details as to how they are either elected or nominated. The Managing Director is appointed by the State Government in consultation with the Reserve Bank of India.

The Managing Director looks after all the business and day-to-day administration of the corporation. He is assisted in his functions by Deputy Chief Executive officer, which post has been created very recently and by five officers of the rank of secretary.

a) Secretary (Corporation) :

This secretary deals with all establishment matters including Registry and Records. In addition, he deals with sections relating to (1) Post Sanction Scrutiny of applications above Rs. 2 lakhs. (2) Refinance and Credit Guarantee Scheme and (3) Insurance.

The secretary (corporation) is overall in-charge of the meeting of the Board of Directors and the Executive Committee (Agency and Corporation). The minutes of both the meetings (Board of Directors and Executive Committee) are recorded by the Secretary (Corporation) and then circulated to the members with the approval of the Dy. Chief Executive Officer and the Managing Director. The Secretary (Corporation) is assisted in his functions by one Asst. Secretary who looks after establishment matters and by another Asst. Secretary for the other subjects referred to above.

b) Secretary (Law) :

He attends to all legal matters and is assisted by one Law Officer and one Asst. Secretary. For recovery of delayed dues, there is a separate section in-charge of Asst. Secretary.

c) Secretary (Accounts) :

He is entrusted with all work relating to maintenance of accounts of the Corporation and he is assisted in his functions by one Assistant Secretary.

d) Secretary (O & M) :

This officer looks after a part of the establishment matters and undertakes detailed inspection of all Regional offices, Branch offices and Sub-offices.

e) Technical Officer :

This officer is in charge of the Technical Wing. He is assisted by one Asst. Technical officer. The Technical Wing carries out inspection of the machinery. It prepares feasibility reports in respect of schemes upto Rs. 2 lakhs. The Wing also assists new enterprises in preparing their schemes, in giving them advice from time to time in respect of technical viability of the proposal. One Technical Inspector is posted at each of the Regional offices of the Corporation to carry out some of the above functions.

Internal Audit :

The Corporation has created two posts of Internal Auditors, one for the concurrent audit of Central Office and the Bombay Regional Office and the other for the remaining Regions.

There are 13 sections in the Central office each in charge of a Sr. Inspector.

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

Table No. 1.2 indicates the Organisational chart of the MSFC's Central Office.

TABLE NO. 1.2

APPENDIX XXI

ORGANISATIONAL CHART OF THE CENTRAL OFFICE (Bombay)

MANAGING DIRECTOR

DEPUTY CHIEF EXECUTIVE OFFICER

SECRETARY (CORPORATION)

Assistant Secretary (GAD)

General Administration Sec. :

Sr. Inspector	1
Sr. Assistant	2
Jr. Assistant	2
Clerk	1
Tel. Operator	2
Clerk (Secy.)	1

Registry, Record & Stationery :

Sr. Inspector	1
Sr. Assistant	2
Clerk	4

Typists & Stenographers :

Typists	9
Stenographers	15

Comparing Unit

Jr. Assistant	1

Assistant Secretary *(APP.)

Appraisal Section:

Sr. Inspector	1
Jr. Assistant	1
Clerk	1

Refinance & Guarantee :

Sr. Inspector	1
Inspector	1
Sr. Assistant	1
Jr. Assistant	1
Clerk	1

Insurance Section :

Sr. Inspector	1
Jr. Assistant	1
Clerk	1

Statistics Section :

Sr. Inspector	1
Inspector	2
Sr. Assistant	1
Jr. Assistant	3
Clerk	1

Assistant Secretary (PSC)

Post Sanction (Corpn.) :

Sr. Inspector	2
Inspector	3
Sr. Assistant	1
Clerks	3

Transport Unit :

Sr. Inspector	1
Sr. Assistant	1
Jr. Assistant	1

SECRETARY (O & M)

Post Sanction Inspection Unit :

Sr. Inspector	1
Jr. Assistant	1
Clerk	1

Computer Unit :

Inspector	1
Sr. Assistant	1
Jr. Assistant	1
Clerk	3

SECRETARY (LAW)

LAW OFFICER

Assistant Secy. (RCY)

Recovery Section :

Sr. Inspector	2
Inspector	2
Jr. Assistant	1
Clerk	2

Assistant Secy. (LAW)

Legal Section :

Sr Inspector	2
Inspector	2
Sr. Assistant	1
Jr. Assistant	2
Clerk	3

CHIEF ACCOUNTANT

Assitant Secretary

Accounts Section :

Dy. Accountant	1
Sr. Inspector	2
Inspector	3
Sr. Assistant	5
Jr. Assistant	3
Clerk	2

TECHNIC

Asstt.

Technic

Technica

Junior A

Note :- * In addition to loan appraisal work sections as indicated above have been alloted to the two Assistant secretaries

S U M M A R Y

Managing Director	1
Dy. Chief Executive Officer	1
Secretary	3
Chief Accountant (In Sey's Grade)	1
Technical Officer (in Sey's Grade)	1
Law Officer	1
Internal Auditors	2
Asstt Technical Officer	1
Asstt Secretaries	6

Sr. Inspectors	16	
P. A. to M. D. (in Sr. Inspr's grade)	1	18
Dy. Accountant (" ")	1	
Inspectors	14	
Sr Assistants	15	
Jr. Assistants	21	
Clerks	23	

Technical Inspe

Stenographers

Typists

Telephone Ope

1.7 WORKINGS OF REGIONAL OFFICES OF MSFC :

MSFC has decentralised its working. Now small entrepreneurs need not rush to the Head office at Bombay every time they have any problem or difficulties in securing financial assistance from MSFC.

The Branch Managers are empowered to sanction and disburse loans upto Rs. 50,000/-. The Regional Managers are authorised to sanction loans upto Rs. 2 lakhs and disburse loans upto Rs. 10 lakhs at any given time without making reference to the Head Office.

Further, the Branch Managers usually process applications for loans upto Rs. 3 lakhs and the Regional Managers can process the applications upto a maximum limit of Rs. 30 lakhs. The Regional offices are also empowered to complete legal formalities and to disburse the sanctioned loan in all cases. As such, most of the important work relating to processing of Loan applications, sanction of Loans, post sanction follow up matters, maintenance of Loan accounts, recovery of dues etc., is decentralised and being dealt with at the Regional Office level itself.

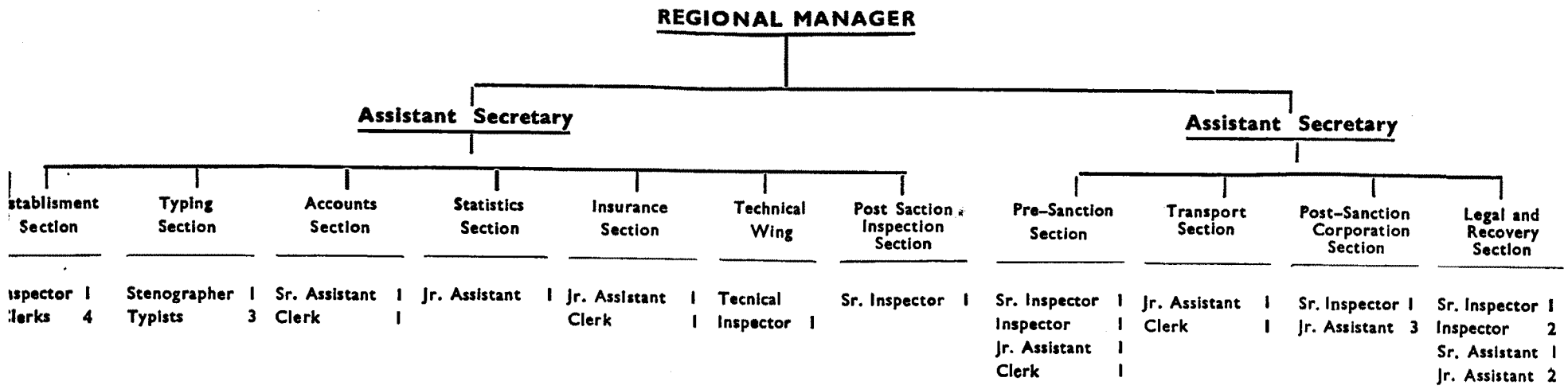
Table No. 1.3 indicates the organisational Chart of the Regional Office.

UNIVERSITY KOLHAPUR

TABLE NO. 1.3

APPENDIX XX

ORGANISATIONAL CHART OF THE REGIONAL OFFICE



SUMMARY

Regional Manager	1	Senior Assistants	2
Assistant Secretary	2	Junior Assistants	9
Senior Inspectorrs	4	Clerks	8
Inspector	5	Stenographer	1
Technical Inspectors	1	Typists	3

" " " half " " double spacing — 250 words
" " " " " " single spacing — 375 words
" " " " " " Short letters, endorsement, or memoranda typed
on quarter margin (10 words a line) and
n half margin 7 words
lly contain short forms).

1.8 MSFC'S REGIONAL OFFICE AT KOLHAPUR :

The MSFC operates from its Head Office in Bombay and the Regional offices situated all over Maharashtra. The Bombay office consists of the Top Management including the Chairman, Nominee Directors and Managing Director. General Managers of various sections are assisted by Deputy General Managers. The Managers of different departments are responsible for the smooth functioning of their activities. The Regional Managers are in charge of a particular region and report to the Head office.

MSFC's Regional Office at Kolhapur :

The Regional office at Kolhapur comprises of the Regional Manager, Deputy Regional Manager, Assistant Managers and Junior officers. They are assisted by Junior officers, Clerical Staff. The office is divided into five sections. They are as follows :

i) Technical
ii) Project Appraisal
iii) Legal
iv) Post-Sanction &
v) Accounts Section.

Working of the Various Sections of Kolhapur Regional Office:

i) The Technical Section of MSFC's Kolhapur Regional office consists of an Assistant Manager and two Junior officers

followed by clerical assistants. The main task of the Assistant Manager and his officers is to scrutinise the applications received for technical viability. This is done under the ten heads. They are as follows :

1. Licenses, Permits, Certificates etc.
2. Location
3. Land
4. Building
5. Raw Materials
6. Manufacturing Process
7. Machinery
8. Technical Feasibility,
9. Product and
10. Marketability.

The Technical section begins with the processing of a project application and thus comes first in the processing machinery. The viability of the project is analysed from its technical information giving weightages to the technical background and ability of the applicants. Necessary suggestions, improvements and estimates are given to them. Then the project is forwarded to "Project Appraisal Section".

ii) Project Appraisal Section is concerned with the assessment of the application with a view to arrive at the financial viability of the project. Once this is done the project that has already been technically verified can be accepted.

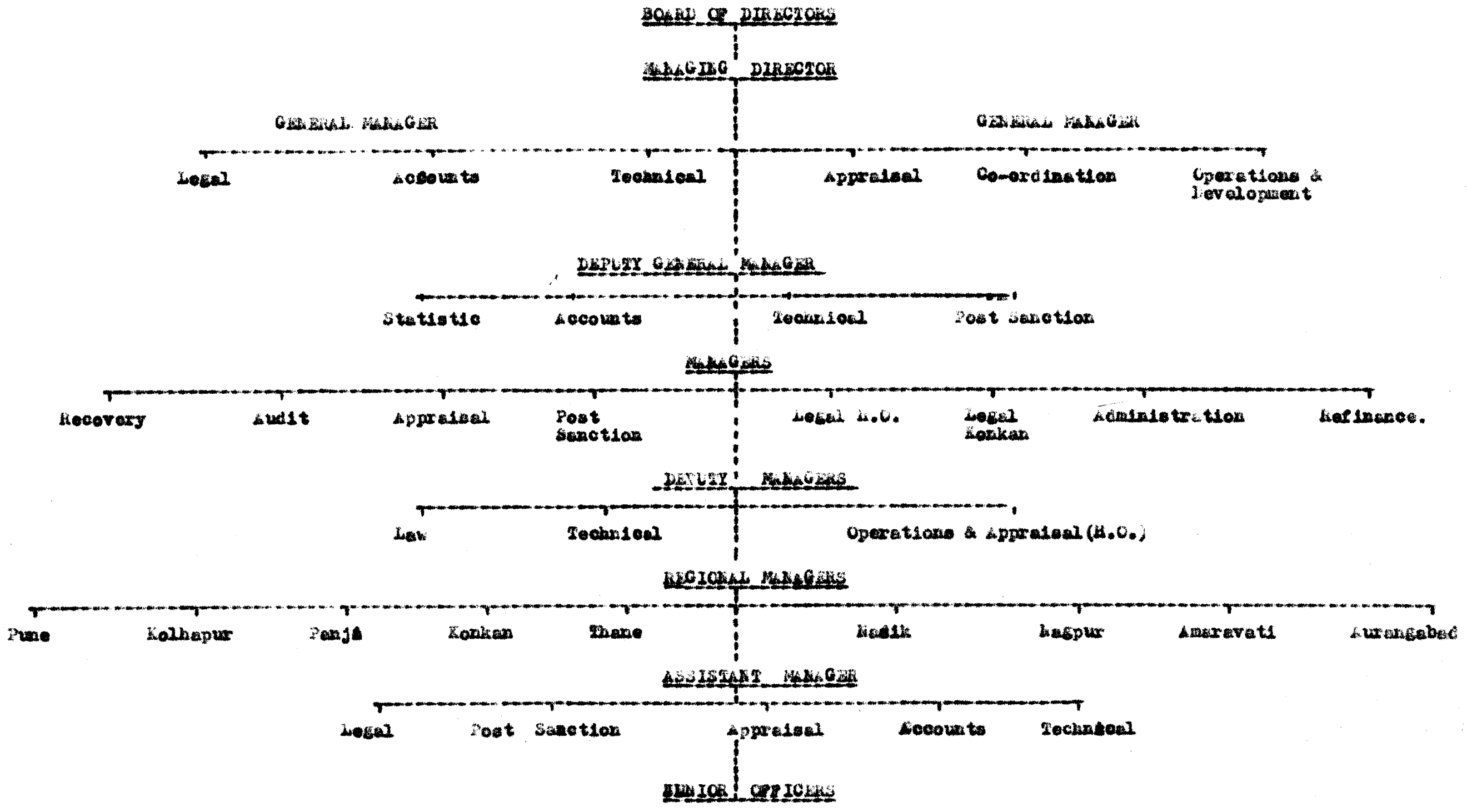
iii) Legal Section looks into the legal matters concerning the disbursement and repayment of loans. This section consists of an Assistant Manager and four Junior officers.

iv) Post-Sanction Section looks after the matters that arise after the loan is sanctioned. It ensures that the unit works desirably and that payments are in order. Regular visits followed by reports ensures a close watch on the operational details of the Unit. Any change in the Ownership, Assets and Suppliers is taken into consideration. Payment is made as under the loan scheme and a holiday from interest payment as follows. Recovery notices are sent when the unit fails to individual. This section consists at least four Junior officers under each of the above manager. This is very essential due to a lot of inspection tours are involved and appearances/presences in court are common.

There should be a closer co-ordination between the legal section and Post-sanction Section.

v) Accounts Section consists of an Assistant Manager assisted by two Junior officers and five assistants. This section keeps an account of the interest accumulated on the loan granted. For this the interest and the principal is not merged. It is a lengthy and complicated method where wilful defaulters create problems. It acts

pay its interest. So a close co-ordination with the Legal Section is a must. Tenders are invited by this section when the Unit is taken over and the machinery disposed off to the highest bidder. It co-ordinates with the Accounts Section in posting, revision and giving interest payment notices to the concerns.


BOARD OF DIRECTORS
MANAGING DIRECTOR
GENERAL MANAGER
Legal
Accounts
Technical
GENERAL MANAGER
Appraisal
Co-ordination
Operations & Development
DEPUTY GENERAL MANAGER
Statistic
Accounts
Technical
Post Sanction
MANAGERS
Recovery
Audit
Appraisal
Post Sanction
Legal H.O.
Legal Konkan
Administration
Refinance.
DEPUTY MANAGERS
Law
Technical
Operations & Appraisal (H.O.)
REGIONAL MANAGERS
Pune
Kolhapur
Panjâ
Konkan
Thane
Nasik
Nagpur
Amaravati
Aurangabad
ASSISTANT MANAGER
Legal
Post Sanction
Appraisal
Accounts
Technical
SENIOR OFFICERS

1.9 SOURCES & USES OF FUNDS :

The data shown in the Balance Sheet can be reclassified so as to generate sources and uses of Funds Statements. Table No.15&16 give the sources and uses of Funds of the MSFC for the years 1978-79 to 1982-83. A glance at these tables will enable to arise at the following findings :

Under the Sources of Funds the major source has been that of Refinance from IDBI under which the amount of Rs.15.00 crores was made available in the year 1978-79 which shows continuous increase upto 1980-81 when it reached to the level of Rs. 21.00 crores and it shows decreasing trend in the following years. The % of share of this Refinance ranges between about 35% in the year 1981-82 to about 49% in the year 1980-81.

The next important item of the sources of Funds is that of Repayment of the loans by the Borrowers which amounts for about 1/4th of the total sources of Funds of the MSFC. The amount that was available under this head amounted to Rs.9.00 crores in the year 1978-79 which increased to about Rs. 15 crores for the year 1981-82 but it shows a fall of about One crore in the year 1982-83.

The next item in importance is that of the Borrowings by way of Bonds. As it is a measure adopted by the MSFC as and when requires. The amount under this head

shows wide fluctuations ranging from Rs. One crores to Rs. Eight crores. As a result its respective share in the total ranges between 3% to 17% of the total.

The total funds utilised by the MSFC also indicate an increase from Rs. 36.17 crores in 1978-79 to Rs. 53.57 crores to the year 1982-83 indicating an increase of around 48%. The major item under the uses of funds is that of "Disbursements of Loans" constituting around 60% of the total funds used. The amount of loans disbursed indicate continuous increase from Rs.20.91 crores in 1978-79 to Rs. 32.16 crores in the year 1982-83 indicating 54% increase during the period. The Annual Average Rate of Growth turns out to be around 10.5% per annum.

The next major item is that of Refinancing of IDBI which constitute around 1/5th of the total uses of funds. The amount under this head also indicates continuously rising trend from Rs. 1.15 crores in 1978-79 to Rs. 12.42 crores in 1982-83 reflecting 41% increase during the period covered by the study.

(1)	Increase in :									
	(a) Share Capital	3.37	121.95	5.65	224.80	0.38	16.70		-		-
	(b) Convertible Loans		-		-	1.10	48.00	5.31	279.00	3.04	163.00
	(c) Reserves & Surplus	5.19	187.80	6.04	240.74		-	3.77	197.84	0.42	22.40
(2)	Repayment of Loans by borrowers	24.40	882.42	23.68	943.95	26.27	1140.86	27.26	1467.70	26.25	1406.35
(3)	Borrowings by way of Bonds	16.72	605.00	2.76	110.00	4.43	192.50	15.71	825.00	13.86	742.50
(4)	Refinance from Industrial Development Bank of India	40.13	1450.82	48.86	1947.64	49.45	2147.74	35.35	1855.37	97.89	2089.62
(5)	Borrowings from :										
	(a) Reserve Bank of India (against Government Securities)		-		-		-		-		-
	(b) Reserve Bank of India (against Ad-hoc Bond)	2.35	85.00		-	5.87	285.00		-	6.35	340.00
	(c) Scheduled Banks (against Fixed/ short term Deposits)	0.45	16.45	0.03	1.34		-		-	1.09	58.20
(6)	Fixed Deposits Accepted	2.00	72.55	0.72	28.81	2.69	225.67	5.98	366.51	3.19	171.02
(7)	Others (increase/decrease in current assets/ current liabilities and sundries)		-		-	1.26	54.76		-		-
(8)	Recoveries in respect of Deferred Payment Guarantee	0.06	2.20	0.01	0.66		-		-		-
(9)	Cash & Bank balances (Opening)	5.33	192.36	12.25	488.21	8.55	371.48	4.92	258.33	7.91	423.89
	Total..	100.00	3616.55	100.00	3985.85	100.00	4342.71	100.00	5249.75	100.00	5356.98

SOURCE : 17th to 21st Annual Reports.

Table No. 1.6

USES OF FUNDS

Sr.No.	Uses of Funds	% 1978-79		% 1979-80		% 1980-81		% 1981-82		% 1982-83	
1.	Disbursement of Loans	57.83	2091-02	59.54	2365.35	69.47	3016.81	58.80	3086.63	60.03	3,215.53
2.	Repayment of Borrowings :										
	(a) Reserve Bank of India (against Government s Securities)		-		-		-		-		-
	(b) Reserve Bank of India (against Ad hoc Bond)	2.35	85.00		-		-	4.86	255.00		-
	(c) Scheduled Banks (against fixed/ Short-Term Deposits)	3.26	117.95	0.41	16.45	0.03	1.38		-		-
	(d) Industrial Development Bank of India (Refinance)	14.24	514.91	17.92	714.09	19.93	865.49	20.58	1080.19	23.18	1241.82
3.	Repayment of Fixed Deposits	0.52	18.77	1.04	41.61	0.55	24.10	2.10	110.50	1.52	81.29
4.	Redemption of Bonds	2.76	100.00	2.71	108.21	4.07	176.64	5.24	275.00	6.16	329.99
5.	Other (increase/decrease in current assets/ current liabilities & Sundries)	5.53	200.02	9.25	368.64		-	0.35	18.54	4.29	230.02
6.	Cash & Bank Balances (Closing)	13.50	488.21	[illegible].32	371.48	5.95	258.33	8.07	423.89	4.82	258.33
7.	Amount paid in respect of Deferred payment guarantee	0.01	0.67	.01	0.02		-		-		-

1.10 A DECADE OF GROWTH AND ITS ANALYSIS :

The table No. 1.7 shows the data on Sanctions and Disbursements as well as operating Income and Cost of Borrowings of the MSFC during the decade 1973-74 to 1982-83. The total sanctions amounted to Rs. 80 crores in the year 1973-74 which increased by more than four times during the decade; so as to attain the level of Rs. 390 crores. It may be noted that these sanctions indicate a continuously rising trend so as to indicate around 38% increase per annum.

Taking into consideration total Disbursements since inception they also indicate a continuous increase from Rs.52 crores in the year 1973-74 to about Rs.255 crores by the end of 1982-83 indicating nearly 5 times increase during the period of one decade only.

Similarly operating income also indicates a rising trend from Rs. 3 crores to Rs. 13 crores during the decade covered by the present study. As a result, cost of borrowings which was the conservense of reasoning increasing quantities of the Funds. The cost of Borrowings also increased by about 5 times from Rs. 2 crores in 1973-74 to Rs. 10 crores in 1982-83.

Operating expenses which were less than one percent till 1975-76 indicate rising trend so that they account for around Rs. 3 crores by the end of the year 1982-83.

Net profits also indicate an increasing trend upto the end 1979-80. For the next year the net profits are observed tobe minimum amounting to 0.30 crores which increased to about Rs. 2 crores next year but again decreased to half a crore for the year 1982-83.

Share Capital which stood at Rs. 2.95 crores in the year 1973-74 indicates continuous increase so as to reach the level of the Authorised Capital of Rs. 10.00 crores in the year 1980-81. As the IDBI was successful in convincing the Govt. to increase the share capital of the MSFC from Rs. 10 crores to Rs. 20 crores, a temporary provision was made to provide loans in lieu of share capital which m valued at about Rs. 5.00 crores for the year 1982-83.

Reserves which indicate the financial strength of the MSFC were very small valuing Rs. One crore in 1973-74 increased to more than Rs. 10.00 crores by the end of 1982-83.

Outstandings also indicate rise in trend from Rs. 34 crores to Rs. 184 crores during the period covered by the study. The MSFC is not an exceptional financial institution as it has to face the problems of overdues which are steadily rising from about Rs. Five crores in 1973-74 to Rs.55.00 crores for the year 1982-83, indicating eleven times increase during the period. However, if we take into consideration the percentage of overdues to the outstan-

-dings it works out around 30% in 1982-83 from about 14% in the year 1973-74. (Vide Table No. 1.8)

On account of increasing activities of the MSFC as well as increased coverage, the no. of employees increased from 568 to 999 during the decade covered by the present study.

Sr. No.	Year ended on 31st March,.....	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1981-1982	1982-1983
	Since Inception :										
1.	Sanctions	80.26	105.14	131.45	158.68	186.24	216.99	256.11	297.71	339.92	389.63
2.	Disbursements	52.01	63.70	80.06	98.98	117.05	137.96	161.62	191.78	222.65	254.80
	During the year :										
3.	Sanctions	18.27	24.89	26.31	27.23	27.56	32.74	37.12	41.59	42.21	49.71
4.	Disbursements	9.18	11.69	16.36	18.92	18.07	20.91	23.65	30.17	30.87	32.16
5.	Collection (Principal & Int.)	6.59	7.47	8.57	10.54	12.23	15.53	17.54	21.41	27.89	27.46
6.	Operating Income :	2.87	3.61	4.88	6.67	8.22	9.51	11.81	7.91	12.36	13.25
7.	Cost of Borrowings	1.66	1.99	2.59	3.41	4.12	4.95	6.08	5.28	7.72	9.47
8.	Gross Profit	1.21	1.62	2.29	3.26	4.10	4.56	5.73	2.63	4.64	3.78
9.	Operating Expenses	0.69	0.88	0.99	1.21	1.50	1.56	1.83	2.33	2.85	3.23
10.	Net Profit	0.52	0.74	1.30	2.05	2.60	3.00	3.90	0.30	1.79	0.55
11.	Share Capital	2.95	3.30	4.46	5.08	6.38	7.58	9.82	10.00	10.00	10.00
12.	Loans in lieu of Share Capital	-	-	-	-	-	-	-	0.48	3.27	4.90
13.	Reserves	1.00	1.39	2.19	3.47	5.08	6.92	9.29	7.84	9.81	10.03
14.	Outstandings	33.77	40.66	53.07	67.45	80.84	94.88	111.88	135.52	157.44	183.67
15.	Overdues	4.66	5.16	6.85	9.10	15.04	19.53	25.49	32.01	41.26	55.17
16.	Overdues as % of Outstanding	13.80	12.62	12.90	13.49	18.60	20.58	27.78	23.62	26.21	30.02
17.	No. of Employees	568	574	564	557	620	710	788	938	964	999

Sr.No.	Particulars	1974 Base Year 100	1975 %	1976 %	1977 %	1978 %	1979 %	1980 %	1981 %	1982 %	1983 %
1.	Sanctions	80.26	130.99	163.78	197.70	232.04	272.85	319.10	370.93	423.52	485.45
2.	Disbursements	52.01	122.47	153.93	305.09	358.08	265.25	310.74	572.40	428.09	489.90
3.	Sanctions	18.27	136.23	144.00	149.04	150.84	179.20	203.17	227.64	231.03	272.08
4.	Disbursements	9.18	127.34	178.21	206.10	196.84	227.77	257.62	328.64	336.27	350.32
5.	Collection	6.59	113.35	130.04	159.93	185.58	235.66	266.16	324.88	423.21	416.69
6.	Operating Income	2.87	125.78	170.03	232.40	286.41	331.35	441.49	275.60	430.66	461.67
7.	Cost of Borrowings	1.66	119.87	156.02	205.42	248.19	298.19	366.26	318.07	465.06	570.48
8.	Gross Profit	1.21	133.88	169.25	269.42	338.84	376.85	473.55	217.35	383.47	312.39
9.	Operating Expenses	0.69	127.53	143.47	175.36	217.39	226.08	265.21	337.68	413.04	468.11
10.	Net Profit	0.52	142.30	250.00	394.23	500.00	576.92	750.00	57.69	344.23	105.76
11.	Share Capital	2.95	111.86	151.18	172.20	216.27	256.94	332.86	338.98	388.98	338.98
12.	Loans in lieu of Share Capital										
13.	Reserves	1.00	139.00	219.00	347.00	508.00	692.00	929.00	784.00	981.00	1003.00
14.	Outstandings	33.17	120.99	157.15	198.73	239.38	280.95	331.29	401.30	466.21	543.88
15.	Overdues	4.66	110.72	146.99	195.27	322.74	419.09	546.99	686.90	885.40	1183.90
16.	Overdues as % of outstanding	13.80	91.44	93.43	97.75	134.78	149.13	165.07	171.15	189.92	217.53
17.	No. of Employees	568	101.05	99.29	98.06	109.15	125.00	138.73	165.14	169.71	175.88