CHAPTER - V

ROLE OF KSFC IN DEVELOPING ENTREPRENEURSHIP

5.1: Introduction:

The economic development of any country depends upon the existence of a well and strong organized financial system. It is the financial system which supplies the necessary financial inputs to enterprises or industries for the production of goods and services which in turn promote the well-being and standard of living of the people of the country by generating good number of employment opportunities. Financial system of any country consists of financial markets, financial institutions and financial instruments. State Financial Corporation’s (SFCs) are also a part of financial system contributes for economic development of the country. This Chapter includes various financial assistance, schemes and programmes provided by the KSFC in promoting entrepreneurs and its financial performance for the year 2010-11 to 2014-15.

5.2: Schemes of the Corporation:

KSFC offer a number of schemes to suit the varied needs of its clients. A brief description of the schemes is given below:

5.2.1: Credit Linked Capital Subsidy Scheme (CLCSS):

a) The objectives of the scheme is to facilitate technology upgradation of Micro and Small Enterprises (MSEs) in specified products / sub-
sectors by providing 15% capital subsidy for induction of proven
technologies approved under the scheme.

The list of products / sub-sectors covered under the scheme is
as per the approval of the Governing and Technology Approval
Board (GTAB) constituted under this scheme.
b) The eligible borrowers under this scheme are sole proprietary
concerns, partnerships, co-operative societies, private and public
limited companies.
c) The eligibility criteria’s for assistance from KSFC under this scheme
are,
i. Existing MSEs registered with the State Directorate of Industries
who upgrade with the state of art technology, with or without
expansion are eligible.
ii. New MSEs which are registered with the State Directorate of
Industries and who set up proposed facility with the appropriate
eligible and proven technology duly approved by GTAB are also
eligible.
iii. Capital subsidy under the scheme shall be available for projects
where term loans have been sanctioned by the eligible PLIs on or
after 29th September 2005.
iv. Industry graduating from small scale to medium scale on
account of sanction of additional loan under CLCSS shall be
eligible for assistance.
d) Others requirements under this scheme are Promoters’
contribution, debt equity ratio etc., will be determined by the
lending agency as per the existing norms. Units availing subsidy under the CLCSS shall not avail any other subsidy for technology upgradation from the Central / State / UT Govt. However, cases covered under National Equity Fund (NEF) scheme, which are otherwise eligible under CLCSS can also be covered under this scheme. For further details on scheme and also regarding activities covered the entrepreneurs are advised to refer CLCS scheme of Government of India.

e) The scheme has the following condition,

i. This revised scheme is effective from September 29, 2005. The scheme is launched by Government of India, Ministry of SSI & ARI. (Prior to 2005 then existing parameters & guidelines will apply).

ii. The Scheme will be in operation up to 31st March 2012. SIDBI is designated as nodal agency for channelizing assistance under the scheme.¹

**5.2.2: Technology Up-gradation for Textile Industries:**

a) The objective of the scheme is to provide encouragement to textile industrial units (including units in the cotton ginning and pressing sectors) in taking up technology upgradation and to modernize their production facilities. Eligible Borrowers under this scheme are Sole proprietary concerns, partnerships, co-operative societies, private and public limited companies in textile and cotton ginning and pressing industries.
b) Eligibility Criteria’s for assistance from KSFC under this scheme are,
   i. Installation of specified types of machinery and for eligible activities in a new unit or in an existing unit by way of replacement of existing machinery and / or expansion.
   ii. New units must set up their facilities only with the appropriate eligible technology.

c) Promoters’ Contribution under this scheme is Minimum of 20% of the project cost.

d) Terms of Assistance under this scheme are,
   i. Rate of interest: The prevailing rate of interest as applicable to SSI is charged.
   ii. Reimbursement of 5 percentage points of Interest charged by the lending agency on the project of technology upgradation will be made available. However, for spinning machinery reimbursement will be 4 percentage points.
   iii. Repayment period: up to 5 years including a moratorium of up to 12 months.

e) Securities required under this scheme are,
   i. 100% of portion of term loan earmarked for acquisition of intangible assets such as Technical knowhow, designs, drawings etc.
   ii. 50% on loan earmarked towards proposed machinery for the first time borrowers and 30% on existing units having good track record.
iii. The Programme Period of scheme is from 01.01.2007 up to 31.03.2012. In respect of prior case the then existing parameters & guidelines will apply.

f) Other requirements of the scheme are,

i. The scheme will provide an additional option to the power looms units to avail of 20% Margin Money subsidy under TUFS in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs.200 lakhs and ceiling on margin money subsidy Rs.20 lakhs. A minimum of 15% equity contribution from beneficiaries will be ensured.

ii. The scheme will provide 15% Margin Money subsidy for SSI textile and jute sector in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs.200 lakhs and ceiling on margin money subsidy Rs.15 lakhs. A minimum of 15% equity contribution from beneficiaries will be ensured.

iii. The scheme will provide 5% interest reimbursement plus 10% capital subsidy for specified machinery required in manufacture of technical textiles and garmenting machineries. (However, the units which have taken the sanction prior to 31.03.2007 but not started the commercial production, to be certified by Chartered Engineer and Chartered accountant, will be covered under the modified Scheme).

iv. Certain imported second hand machinery has been permitted.

The entire range of imported second hand machinery will now be
ineligible under the scheme for any benefit except automatic shuttleless looms with the value cap of Rs.8.00 lakhs per machine and 10 years’ vintage and with a residual life of minimum 10 years.

v. Investments like land, factory building, pre-operative expenses and margin money for working capital will now be ineligible for benefit of reimbursement under the scheme except meant for apparel sector and handloom with existing 50% cap. In case apparel unit is engaged in other activity, the eligible investment under this head will only be related to plant & machinery eligible for manufacturing of apparel.

5.2.3: Interest Subsidy Scheme for Scheduled Caste / Tribe Entrepreneurs:

a) The objective of the scheme is to provide Interest subsidy in respect of loans availed by SC/ST entrepreneurs.

b) The Eligible Borrowers under this scheme are,

i. The Scheme is applicable only to the loan availed by the scheduled caste / tribe entrepreneurs.

ii. The promoters should be first generation entrepreneurs.

iii. The interest subsidy under the scheme shall not be in addition to other interest subsidy schemes of GOK. If an entrepreneur has claimed interest subsidy under any other scheme of GOK, he will not be eligible to claim interest subsidy under this scheme.

iv. Units in the service sectors are also eligible to claim interest subsidy under the scheme.
v. To be eligible for interest incentives under the scheme, the unit should not be in default in payment to the financial institutions.

vi. The units will be eligible for interest subsidy for a period of five years from the date of first disbursement of the loan by KSFC.

vii. The minimum loan size of Rs.5.00 lakhs for all activities except existing units going for up-gradation / modernization, medical and veterinary doctor’s minimum limit is Rs.2.00 lakhs.

viii. KSFC will sanction loans under this scheme with normal interest rates. The difference between the lending rate of KSFC and effective rate of 4% p.a to the borrowers will be met by Government of Karnataka.

c) Securities required under this scheme is,

i. A relaxation of 25% in the requirement of minimum collateral security up to a loan amount of Rs. 25.00 lakhs is considered in the case of entrepreneurs belonging to Scheduled Caste/ Tribe.

However, for loans more than Rs. 25.00 lakhs, the collateral security requirement shall be as applicable to general category.

5.2.4: Privileged Entrepreneurs' Scheme

a) The objective of the scheme is to meet short term funds requirements of the existing units which are under thrust / normal sectors of lending policy of the Corporation.

b) Eligible Borrowers under this scheme are Proprietary concern, partnership firm, private and public limited companies.
c) Eligibility Criteria’s for assistance from KSFC under this scheme are,

i. The units have availed loan of Rs.10 lakhs and more from KSFC in the past and should have a good track record for at least 3 years.

ii. The account should have been in standard category during the last three years.

iii. In respect of rescheduled castes and castes covered under DRS-RSR, the loan can be extended, if the account is regular and continues to be in standard category for the last three years.

iv. The unit should be working on profitable lines i.e. the units should have earned net profits at least during the last three years as evidence by the audited financial statements.

d) Extent of Finance under this scheme is Minimum Rs.5.00 lakhs and Maximum Rs.100.00 lakhs.

e) Repayment of loan under this scheme is to be repaid within 24 months with moratorium period of three months.

f) Security required under this scheme is the loans shall be secured by 100% collateral security. The security shall be by way of urban immovable properties or the surplus value of the existing immovable fixed assets of the units at SR value. No relaxation in collateral security requirements.²
5.2.5: Assistance to Construction Activity (Term Loans)

a) The objective of the scheme is to provide assistance to the construction activity sector; the following are covered under the scheme:
   i. Construction of commercial complex;
   ii. Construction of go downs and warehouses;
   iii. Construction/buying of ready built show rooms and sales outlets;
   iv. Construction of residential apartments/group housing;
   v. Creation of infrastructure for professional educational institutions;
   vi. Construction of industrial estates;
   vii. Establishment of software parks;
   viii. Formation of residential layouts;

b) Eligible Borrowers under this scheme are Individuals, firms, companies and other eligible constitutions.

c) Eligibility Criteria’s for assistance from KSFC under this scheme are,
   i. The assistance under this scheme is provided for construction of building.
   ii. Interior decorating, air conditioning.
   iii. Providing lift and communication facility.
   iv. Any other facility connected with the construction activity.
   v. Formation of residential layouts.
The building constructed can be either leased (except group housing and residential apartments) or sold on outright basis with the prior approval of the Corporation.

d) The land shall be owned or leased for a minimum period of 30 years. The lease period may be relaxed but not less than 20 years with the prior approval of the Corporation. When the freehold rights of land are assigned to the Corporation the lease period can be 10 years and lease need not be registered.

i. In respect of commercial complexes the land has to be located at taluk head quarters / town municipality, district head quarters and city.

ii. In respect of residential apartment / group housing, the land should be located in Bangalore, Mysore, Mangalore, Udupi, Belgaum, Hubli-Dharwad, Davanagere, and Gulbarga, Haveri, Bagalkot, Bijapur and Bellary cities.

iii. In respect of assistance to show rooms and sales outlets, items / activities displayed or kept for sales in show rooms, sales outlets, departmental stores, shopping malls etc., are not eligible for financing.

e) The Extent of Loan by KSFC is,

   i. Minimum of Rs.10.00 lakhs and maximum as per the prevailing norms applicable.

   ii. Any relaxation in minimum limit may be considered only with the prior approval of the Competent Authority.
f) Promoters’ Contribution under this scheme is Minimum promoter’s contribution shall be 25% of project cost.

g) Securities required under this scheme are,
   i. First charge on the land, building and other assets to be created out of the loan.
   ii. Collateral security as may be deemed necessary and as per existing guidelines.

5.2.6: Assistance to Construction Activity (Corporate Loan)

a) The objective of the scheme is to provide financial assistance to property developers, construction companies and firms for construction of group housing, commercial complexes, software parks and infrastructure projects like roads, flyovers, bridges etc.

b) Eligible Borrowers and other terms under this scheme are,
   i. Individuals (contractors), firms and companies who have been in operation for at least 5 years and have proven profit record for at least previous 3 years and
   ii. Should not be in default with commercial banks / financial institutions;
   iii. The net-worth comprising of equity and reserves and surplus should not exceed Rs.20.00 crore;
   iv. The project cost should not exceed Rs.20.00 crore.

c) Extent of Finance under this scheme is Upto Rs.200.00 lakhs in case of proprietary and partnership concerns and Rs.500.00 lakhs in case of Private and Public Limited Companies. However, the loan
amount shall not exceed 20% of the average sales recorded in the previous 3 years.

d) Repayment of loan under this scheme Upto-5 years including a moratorium of 6 – 18 months depending upon the nature of the project.

e) Securities required under this scheme are,

   i. 150% of the loan amount in the form of immovable assets / FD / LIC / NSC etc.

   ii. Third party collateral not acceptable, Escrow mechanism required.3

5.2.7: General Corporate Loan Scheme

a) The objective of the scheme is to extend short term loans to the existing successful units who require urgent working capital funds either to meet the gap in the working capital requirements or funds required for executing the rush of orders. This loan is also considered for developing / expanding new markets and opening LC for purchase of new equipments till a term loan is sanctioned and released by the financial institutions. The Corporation also extends corporate loan for meeting the statutory dues to the Government like payment of Income Tax, Sales Tax, Excise Duty etc.,

b) Extent of Finance under this scheme is Minimum of Rs. 5.00 lakhs and maximum of Rs. 200.00 lakhs in case of proprietary and partnership firms and Rs. 500.00 lakhs in respect of corporate bodies, public & private limited companies and registered co-operative societies.
c) Promoters’ Contribution under this scheme is Minimum of 25% of the project cost.

d) Securities required under this scheme are Assets free of encumbrance charged to the Corporation will be further charged. In the absence of adequate security in the form of primary assets as required under the scheme, collateral security to the extent of 100% of the loan amount is insisted in respect of assisted units of the Corporation and in respect of non assisted units the collateral security requirement is 150% of the loan amount, and for AAA rated entrepreneurs it is 75%.

**5.2.8: Assistance for Construction of Roads**

a) The Purpose of the scheme is for acquiring capital goods, equipment including road rollers, asphalting units, concrete mixtures, tippers, excavators, surveying and other supporting equipment towards development, maintenance and construction of roads.

b) Eligible Borrowers under this scheme are any reputed civil contractors / firms /companies, Security’s required under this scheme are 100% on all loans and Promoters’ Contribution under this scheme is 25% of project cost.

c) Repayment of loan under this scheme is upto 6½ years excluding moratorium period varying between 6 to 9 months.

d) Securities required under this scheme are 100% on all loans and Promoter contribution is 25% of project cost.
5.2.9: Single Window Scheme

a) The objective of the scheme is to provide timely and adequate working capital assistance to micro, small and medium enterprises (MSME) along with term loan for fixed assets for entrepreneurs setting up new projects by KSFC.

b) Eligible Borrowers under this scheme are all new MSMEs to be engaged in the manufacture or production, processing or preservation of goods i.e., manufacturing enterprises where the total venture outlay (including working capital requirements) does not exceed Rs.100.00 lakhs.

c) Promoters’ Contribution under this scheme is
   
i. Minimum: 25% of the venture outlay in respect of loans upto Rs.10.00 lakhs (TL+WCTL)
   
   ii. Maximum: 33% of the total venture outlay in respect of loans above Rs.10.00 lakhs (TL+WCTL).

d) Terms of Assistance under this scheme are
   
i. Term Loan: 5 to 8 years (including moratorium).
   
   ii. Working Capital term loan: Not exceeding 5 years

e) Securities required under this scheme are
   
i. Term Loan: As applicable under prevalent lending policy.
   
   ii. Working Capital Term Loan: Charge on the current assets being financed, Minimum 100% collateral security as per the prevalent lending policy, and Irrevocable/unconditional personal guarantees of the promoter directors/ corporate guarantee to be obtained wherever applicable.
5.2.10: Working Capital Term Loan – For Existing Units

a) The objective of the scheme is to provide timely and adequate working capital assistance to the existing micro, small and medium enterprises (MSME) that have availed term loans earlier from the Corporation, having proven track record.

b) Eligibility Criteria's for assistance from KSFC under this scheme are,

i. Existing MSMEs engaged in the manufacture or production, processing or preservation of goods i.e., manufacturing enterprises, which have availed term loans earlier from the Corporation, having proven track record. The existing units which have availed the WCTL under the SWS earlier from the Corporation are also eligible for additional WCTL. Availing a term loan is not a pre-condition for granting eligible WCTL under the scheme.

ii. The unit should be in existence with a minimum period of operation of three years. The unit should be working profitably and net-worth should be positive.

iii. The units enjoying term loan / working capital loan from other commercial banks / financial institutions are not eligible under the scheme.

c) Extent of Finance under this scheme is

i. Minimum assistance: Rs.2.00 lakhs per unit.

ii. Maximum assistance: Rs.100.00 lakhs per unit.
d) Promoters’ Contribution under this scheme is

i. Minimum 25% of the working capital estimation in respect of loans upto Rs.10.00 lakhs (including existing loan outstanding, if any):

ii. Minimum 33% of the working capital estimation in respect of loans above Rs.10.00 lakhs (including existing loan outstanding, if any)

e) Period of repayment of loan under this scheme is not exceeding 5 years including moratorium of six months from the date of first disbursement of WCTL.

f) Securities required under this scheme are

i. Charge on the current assets being financed.

ii. Minimum 100% collateral security as per the prevalent Lending Policy.

iii. Irrevocable and unconditional personal guarantees of the promoter directors/ corporate guarantee to be obtained wherever applicable.

iv. Further mortgage of primary assets of the unit, if it is already secured to the Corporation. In case, the earlier loan is closed and the charge on the primary assets is released, the charge on existing assets should be created fresh. The existing primary assets may be taken towards collateral security requirements.
5.2.11: Line Of Credit for Purchase of Raw Materials

a) The objective of the scheme is to provide timely and adequate working capital assistance in the form of WCTL to MSMEs for purchase of raw materials from KSSIDC.

b) Eligible Borrowers under this scheme are Sole Proprietorship, Partnerships, Co-operative Societies, Private and Public Limited Companies etc., engaged in the manufacture / production, processing or preservation of goods.

c) Extent of Finance under this scheme is Minimum LoC Amount Rs.5.00 lakhs and maximum Rs.100.00 lakhs, upto 80% of the cost of raw materials proposed for purchase from KSSIDC, within the LoC Sanction Limit.

d) Promoters’ Contribution under this scheme is 20% of the proposed cost of raw material.

e) Terms of Assistance under this scheme are

   i. Rate of Interest Will be same as applicable to the term loans for MSMEs. In case of default, a penal interest of 2.5% p.a. over and above the gross rate of interest is applicable on the default amount for the period of default.

   ii. Loan repayment procedure under this scheme is the interest on the amount outstanding shall be paid on monthly basis. The principal shall be repaid on or before the end of 15th month from the date of first disbursement. Pre-payment / fore closure of the account will not attract payment of any premium

f) Securities required under this scheme are,
First charge on the raw materials financed under the scheme shall be obtained. Apart from this, collateral security shall be obtained as detailed below:

i. Collateral security of 30% of the loan for existing borrowers of the Corporation in standard category and who are working on profitable lines;

ii. Collateral security of 50% of the loan for existing units (other than existing borrowers) who are working on profitable lines;

iii. Collateral security of 100% of the loan in respect of other cases.

5.2.12: Assistance for Marketing Related Activities

a) The objective of the scheme is to provide financial assistance to small & medium scale units to undertake various activities necessary to increase their sales in domestic and foreign markets and to create physical marketing infrastructure.

b) Eligible Borrowers under this scheme are,

i. Existing units (at least for two years) with good track record (no default to any financial institutions / bank and asset classified as 'standard' by bank) and has sound financial position and has positive net worth & earned profit in last two years).

ii. Existing or new units with good track record & sound financial position are eligible for assistance under the scheme for establishing permanent exhibition or trade centers.

b) Extent of Finance under this scheme is Minimum of Rs.5.00 lakhs and maximum Rs.50.00 lakhs.
d) The Repayment Period will be Maximum of 8 years including moratorium period and Security’s required under this scheme is 100% of loan amount.

5.2.13: Acquisition of Existing Assets and Enterprises

a) The objective of the scheme is to extend financial assistance for taking over of existing assets / enterprises.

b) Eligible Borrowers under this scheme are Individuals, partnership firms, private & public limited companies, co-operative Societies etc., engaged in respective activities eligible for assistance from the Corporation and in existence for minimum period of 2 years with good track record.

c) Eligibility Criteria’s for assistance from KSFC under this scheme are,

i. Plant & Machinery : Plant & Machinery of a reputed make with a minimum residual life of 10 years supported by Chartered Engineer certificate and as assessed by the technical officers of the Corporation.

ii. Land & Building: Industrial / Commercial properties located at prominent places within municipal limits with a minimum of 20 years residual life. The building should be of good quality and assistance will be subject to certification by the officers of the Corporation.

iii. Nature & extent of finance – Financial assistance will be in the form of term loan not exceeding 70% of the estimated value of
the assets being considered for finance. The minimum limit of finance under this scheme will be Rs. 10.00 lakhs and the maximum as per the prevailing norms applicable for term loan under the general scheme.

d) Security’s required under this scheme are, 100% of the loan other than amount earmarked for purchase of land and building and others requirements of the scheme are No lien certificate from the seller’s banker / financial institutions on the assets being purchased in case they are financed by banks / financial Institutions.6

5.2.14: Assistance to Entertainment Industry

a) The objective of the scheme is to provide financial assistance for the construction/purchase of cinema halls, multiplexes, production of short TV serials, software for visual media publicity and feature films.

b) Assistance under the scheme is available for meeting the expenditure on,

i. Construction / purchase of buildings for multiplexes and cinema halls (the land cost will not be eligible for financing)

ii. Purchase of capital equipments for multiplexes, cinema halls and software for visual media publicity and for production of TV Serials.

c) Eligible Borrowers under this scheme are Proprietary concerns, partnership firms, co-operative societies, public & private limited
companies promoted by reputed persons with good technical / financial background and also with good net worth.

d) Extent of Finance under this scheme is,

i. Maximum 70% of the cost of the proposed fixed assets in the case of cinema halls and multiplexes.

ii. 50% of the total production and post production cost in the case of feature films, TV serials and software for visual media publicity.

e) Period of repayment of loan under this scheme is

i. Eight years including a moratorium period of two years in the case of Cinema Halls / Multiplexes,

ii. In the case of production of feature films, TV serials and software for visual media publicity, the loan has to be repaid either in a single installment in the 13th month or before the release of the feature film, TV serials, Software for visual media publicity whichever is earlier.

f) Securities required under this scheme are

i. All the assets created in the form of land and building, furniture and equipments under the scheme should be mortgaged / hypothecated. 100% collateral security in respect of furniture’s, interior decoration and equipments.

ii. 200% in respect of film production including software for visual publicity.

iii. Power of attorney to collect subsidy from Government whoever is eligible.
iv. Assignment of negative rights by way of a tripartite agreement between the film processing laboratory, the borrower and the Corporation.

v. Assignment of intellectual property rights in all form of media (in respect of films, TV serials and software for visual media publicity).

5.2.15: Assistance to Tourism Related Activities

a) The objective of the scheme is to provide financial assistance for setting up of Amusement Parks, Convention Centre’s, Restaurants, Travel and Transport and Tourist Services Agencies.

b) Eligible Borrowers under this scheme are Sole proprietorships, partnerships, co-operative societies, private/public limited companies.

c) Asssistances under this scheme are,

i. **Amusement Parks:** Assistance will be extended for providing facilities such as toy trains, boat clubs, giant wheels, merry go-rounds, roller coasters, pony rides, mini zoos, small restaurant other assets like conveyors and rope-ways etc.

ii. **Convention Centre’s:** Convention and cultural centers used for conducting cultural programme as well as conferences, seminars, exhibition etc. Audio – visual aids like overhead projectors, film and slide projectors and sound systems will be considered for assistance.

iii. **Hotels and Restaurants:** Assistance is available for hotels and restaurants in tourist locations like pilgrimage centers, historical
places, beaches, ports, wildlife sanctuaries and picnic spots. Hotels and Restaurants which are located on highways and small towns which cater to the needs of tourists will also be considered for assistance. The restaurant should have a minimum area of 50 Sq. meters (500 Sq. ft.). Assistance is provided for fixed assets like land, building, furniture and equipments.

iv. Travel and Transport: Financial proposals of travel agencies with a fleet of cars and / or vans will be considered. Such travel facilities should be at or in the vicinity of leading hotels, airports, railway or bus stations, amusement parks, cultural and convention centers. Mini buses, full- fledged buses and taxis which satisfy the norms of tourism development & Government. The minimum number of vehicles cars / vans has to be three. The transport operator / agency should have a tie-up with a leading hotel / amusement park.

v. Tourist Service Agencies: The agency should provide services like booking air, road and rail tickets, hiring taxis, booking hotels and tourist guides. These agencies should operate “from major cities and must have a network of their own. In the case of tour operators, travel; agents and excursion agents, it is necessary that they obtain recognition from the Department of Tourism. Office buildings, including facilities such as telephone, telex, fax, photocopier, office equipment, personal computers etc., will also be considered for assistance.
**vi. Mobile Canteen / Catering:** Assistance for running mobile canteen/catering service for acquisition of vehicles, kitchen equipment, catering equipments, grocery, cutlery, linen etc.,

**5.2.16: Assistance to Health Care Services**

a) The Purpose of this scheme is to provide Assistance to doctors / qualified medical practitioners:

   For purchase of the premises / renovation of the existing premises, acquiring fixed assets like furniture, computers, office automation, ambulance, car / van, interiors and Medicare related equipment required for a clinic.

   i. Eligible Borrowers under this scheme are Doctors / medical practitioners with a bachelor's degree in any branch of medicine from recognized institute / university for setting of clinic. People holding bachelor degree in radiology, bio-physics and biotechnology, with at least 5 years experience and a certificate of practice from a relevant authority, qualified veterinary doctors are also eligible for assistance. The promoters should be an income tax payee for last 2 years.

b) Assistance to Nursing Home / Hospitals:

   For establishment of new and expansion / modernization of existing nursing homes and hospital. The Loan available for land, building and equipment for diagnostic, monitoring the therapeutic use, air conditioners, ambulance etc,
i. Eligible Borrowers under this scheme are qualified medical practitioners or entrepreneurs employing qualified doctors to run the hospital / nursing homes are eligible for assistance. The project must be backed by expert of a post graduate doctor on full time basis. Assistance for acquiring Electro Medical Equipment. For procurement of new electro medical and related equipment with accessories like CT scanners, Endoscopy, Gastroscopy, X-ray etc., Loan is also available for establishing diagnosis laboratories.

c) Assistance for acquiring Electro Medical Equipment

For procurement of new electro medical and related equipment with accessories like CT scanners, Endoscopy, Gastroscopy, X-ray etc., Loan is also available for establishing diagnosis laboratories.

d) Eligible borrowers under this scheme are Hospitals, Nursing homes and medical practitioners with relevant qualification in general medicine, dentistry, radiology etc., and entrepreneurs employing qualified doctors are eligible for assistance for acquiring electro medical equipment for their professional use.

5.2.17: Scheme for Small Road Transport Operators

a) The purpose of this scheme is to meet expenditure towards cost of chassis, body building, initial taxes and insurance for acquiring transport vehicles.

b) The eligible borrowers under this scheme are small road transport operators, Period of repayment of loan under this scheme is 36 to
50 months including moratorium period of 3 months in respect of all categories of vehicles and securities required under this scheme are 100% on all loans.

5.2.18: Acquisition of ISO 9000 Series Certification

a) The purpose of assistance of this scheme will be towards meeting the expenses on consultancy, documentation, audit, certification fee, equipment etc.

b) Eligible Borrowers under this scheme are Existing industrial concerns in the MSMEs sector and Eligibility Criteria's for assistance from KSFC under this scheme are MSMEs having good track record of past performance and sound financial position. The concerns should:
   i. Have been in operation for a period of at least two years.
   ii. Have earned profit and / or declared dividend during the preceding two financial years ; and
   iii. Not be in default to institutions / banks in payment of their dues.

c) Promoters’ Contribution under this scheme is Minimum promoters’ contribution would be 25% of the project cost.7

5.2.19: Scheme of Financial Assistance to Food Processing Industries

a) The objective of the scheme is to encourage Food Processing Industries to take up technology upgradation / setting up of new unit / modernization of existing units.
b) Eligibility Criteria’s for assistance from KSFC under this scheme are
   i. Units are eligible for a grant / financial assistance of 25% of the 
cost of plant & machinery and civil works (subject to reducing 
the cost of ineligible items prescribed by the Ministry) subject to 
maximum of Rs.50.00 lakhs.
   ii. Sanctions under the scheme to women, SC/STs are given 
priority.
   iii. The schemes shall cover specified sectors for activities leading to 
value addition and shelf life enhancement.
c) Eligible Borrowers under this scheme are Individuals, Firms, Co-
operatives, Companies and PSUs,
d) The scheme has the following condition,
   i. This scheme is launched by Ministry of Food Processing 
   Industries, Government of India w.e.f 1st April 2007. For details 
in this regard, Ministry’s website www.mofpi.nic.in may be 
accessed.
   ii. Presently there is a restriction on sanction of financial assistance 
to Grain Milling Sector. The same will be available as and when 
the restriction is removed.
   iii. KSFC is one of the financial institutions identified for 
   implementing the scheme.

5.2.20: Rental Discounting Scheme:

a) The objective of the scheme is to provide financial assistance on the 
   strength of the rent earned by non-residential properties located 
   within the city and municipal limits of Bangalore, Mangalore, Hubli,
Dharwad, Gulbarga, Shimoga, Bhadravathi, Mysore and Belgaum and earning gross rent earned of not less than Rs.25,000/- per month from eligible tenants of the premises. The properties located outside the Bangalore City Corporation limits will also be considered on case to case basis depending on the location and infrastructural advantages enjoyed and rent earned. The tenants occupying the building should be reputed multi-national companies, nationalized and private sector banks, all India financial institutions, insurance companies, profit making public and private sector companies which are in existence for a minimum period of 5 years and earned profits etc.

b) Eligible Borrowers under this scheme are Proprietary concerns, partnership firms, private / public limited companies, trusts and co-operative societies are eligible for assistance

c) The Limit of Assistance under this scheme is Minimum of Rs. 10 lakhs and maximum of Rs. 500.00 lakhs in the case of companies and co-operative societies and Rs. 200.00 lakhs in all other cases.

d) Extent of Finance & Rate of Interest under this scheme is the extent of assistance will be determined on the basis of rent received after deductions towards TDS, Municipal Taxes, and Insurance etc. The exact amount of assistance will be worked out on the basis of net present value and future rents by discounting at a rate of 15% p.a. The rate may change from time to time and it will be binding on the beneficiary of the assistance. The repayment shall be monthly installments as computed above. In case of default, penalty at 2%
p.a. over and above the contracted rate shall be charged on the defaulted amount for the period of default. The calculations of this interest shall be on monthly compounding basis.

e) Securities required under this scheme are

i. The assignment of the rights of the lesser to receive the rents from the tenants and execution of necessary documents.

ii. The personal guarantees of the promoters availing the facility as per the terms of sanction.

iii. The collateral security for the assistance shall be by way of first mortgage of the subject property considered under the scheme and hypothecation of movable assets like DG set, lift etc., attached to the premises.

f) Other requirements of the scheme are

i. A tripartite agreement will have to be entered among the owner of the premises (beneficiary), tenant and KSFC.

ii. The property will have to be insured by the beneficiary of assistance.

iii. Processing Fee: The application under the scheme shall be accepted on payment of processing fee as per the norms of the Corporation besides management fee of 0.5% of the sanctioned assistance payable at the time of documentation. Further documentation charges shall also be paid as per the norms of the Corporation.
5.2.21: Scheme for Financing Energy Saving Projects

The objective of the scheme is to promote energy saving MSMEs by providing financial assistance thereby contributing to environmental improvement and economic development in the State.

a) Eligible Borrowers under this scheme are Sole proprietary concerns, partnerships, co-operative societies, private and public limited companies etc.

b) Eligibility Criteria’s for assistance from KSFC under this scheme are New and existing projects in Micro, Small and Medium Enterprises (MSME) Sector, as defined by the MSMED Act, 2006 will be eligible.

i. Existing units should have a satisfactory track record of past performance and sound financial position & should not be in default to institutions/banks.

ii. The loans sanctioned by the Corporation on or after 01.08.2008 are eligible for finance.

iii. Loans availed for installation of energy saving equipment /under Credit Linked Subsidy Scheme (CLCSS) are also eligible to be covered under the scheme.

c) Promoters’ Contribution under this scheme is Minimum 20% of the project cost.

d) Extent of Finance under this scheme is Upto 75% of the fixed assets in the cost of project and maximum assistance is as per the prevailing lending policy.

e) Terms of Assistance under this scheme are
i. Rate of Interest: The rate of interest applicable to the term loans for MSMEs shall be charged for the loans under the scheme with a special rebate of 0.5% p.a. for prompt payment.

ii. Repayment period: Upto 6 years including a moratorium period of 1 year.

f) Security: First charge on the assets financed under the scheme shall be obtained. Apart from this, collateral security shall be as follows:

i. Collateral security of 30% of the loan for existing borrowers of the Corporation in standard category and who are working on profitable lines.

ii. Collateral security of 50% of the loan for existing units (Other than existing borrowers) who are working on profitable lines.

iii. Collateral security of 100% of the loan in respect of other cases.

5.2.22: General Scheme

a) The objective of the scheme is to extend financial assistance for new MSMEs service sectors and for expansion, modernization, diversification etc, by the existing units.

b) Eligibility Criteria's for assistance from KSFC under this scheme are Projects which are eligible to be financed as per the SFCs' Act, the details of which are given under the first part of the brochure are covered under General Scheme of the Corporation.

c) Promoters’ Contribution under this scheme is Varying between 12.5% and 25% depending upon the location of the project, category etc.
d) Nature and Amount of Assistance Under the General Scheme, the assistance will be in the form of term loan calculated on the basis of maximum 75% of the proposed fixed assets to be acquired i.e., the land, building, plant & machineries etc. However, the term loan will be subject to a maximum of Rs. 200.00 lakhs in the case of proprietary and partnership concerns, and Rs. 500.00 lakhs in the case of co-operative societies, private and public limited companies. Under special circumstances these limits could go Up to Rs.800.00 lakhs and Rs.2000.00 lakhs respectively with prior consent of SIDBI. However the paid up capital and free reserves in case of companies shall not exceed Rs.20.00 crore.

e) Securities required under this scheme are Apart from mortgage/hypothecation of proposed fixed assets, suitable collateral security is also insisted as per the lending policy of the Corporation.  

5.2.23: Scheme for Micro Finance Activity

a) The objective of the scheme is Micro Credit or Micro finance refers to extending small loans to very poor families for self employment projects that generate income, allowing them to care for themselves and their families. The distinctive feature of this concept is empowerment of women financially. The Women will be organized into Self Help Groups (SHGs) and Joint Liability Group (JLGs) and will be involved in productive activities through micro finance.

b) The Purpose of this scheme is to create a national network of strong, viable and sustainable Micro Finance Institutions (MFIs)
from the informal and formal financial sector to provide micro finance services to the poor, especially women.

c) Eligibility Criteria for assistance from KSFC under this scheme are

i. The Constitution of the MFI should be Registered Non-Banking Financial Company (NBFC). It should be in existence for at least five years and / or should have a demonstrated track record of running a successful micro-credit programme at least for the last three years.

ii. The MFI should have been rated by mainstream rating agencies such as CRISIL/CARE/ICRA/ M-CRIL etc. With acceptable investment grade rating. The rating should be valid and should not be less than 6 months old.

iii. It should have been extended term loan by SIDBI.

iv. The MFI should have been making cash profits for at least last two years.

v. The MFI should have only women members as its clientele.

vi. The MFI should have achieved minimum outreach of 3000 members.

vii. The MFI should have maintained a satisfactory and transparent accounting, MIS and internal audit system.

viii. The MFI should have its accounts audited by a Chartered Accountant firm.

ix. It should have a separate system of accounts and monitoring for its micro finance operations.
x. The MFI should be showing consistent growth in its loan portfolio / members and networth strength.

xi. It should have plans to broad-base its resource base further.

xii. The term loan extended by the Corporation should be utilized within Karnataka for non-farm activities.

d) Rate of Interest under this scheme is 13.5% (net) payable monthly and a liquidation damage of 2% p.a. to be charged in case of default in payment of principal and/or interest.

e) Period of repayment of loan under this scheme is Upto 4 years from the date of disbursement including moratorium period of 6 months.

f) Security’s required under this scheme are

   i. Hypothecation of the book debts.

   ii. Fixed Deposit pledge agreement offering 10% of the loan amount in the form of Fixed Deposit with the Corporation. Personal guarantee of the main individual promoters.⁹

5.3: Hire Purchase and Other Financial Services of KSFC

KSFC is providing the services of Hire purchase and other financial services. It had been classified into three categories they are:

a. Fund Based Activities

b. Non Fund Based Activities and

c. Financial services.
### 5.3.1: Different Types of Services Provided By KSFC

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Fund Based Activities</th>
<th>Non Fund Based Activities</th>
<th>Financial services</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Equipment Lease Finance</td>
<td>Deferred Payment Guarantee</td>
<td>Issue Management</td>
</tr>
<tr>
<td>02</td>
<td>Hire Purchase Scheme</td>
<td>Under Writing of Public Issued</td>
<td>Pre-Issue Project Appraisal</td>
</tr>
<tr>
<td>03</td>
<td>Rental Discounting Scheme</td>
<td>Insurance Activity</td>
<td>Foreign Letter of Credit</td>
</tr>
<tr>
<td>04</td>
<td>Bill Discounting Scheme</td>
<td>Financial Guarantee</td>
<td>Project Report Preparation</td>
</tr>
<tr>
<td>05</td>
<td>Equity Participation</td>
<td>----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>06</td>
<td>Factoring Facility</td>
<td>----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>07</td>
<td>Subscription to Non-Convertible Debentures</td>
<td>----------------------</td>
<td>----------------------</td>
</tr>
</tbody>
</table>


The operation of the schemes such as Bill Discounting, Equity Participation, Financial Guarantee, have been temporarily suspended. The fee based and financial services activities such as Underwriting of Public Issue, Issue Management, Pre-Issue Project Appraisal and Project Report Preparation are undertaken by the HP & FS department at head office.\(^{10}\)
5.3.1: Hire Purchase

a) The objective of the scheme is to provide fast easy alternative to Ready cash. Under this scheme finance is available for procuring vehicles, machinery and equipments.

b) Eligible Borrowers under this scheme are,

i. Have been in commercial production for two years and earned net profits.

ii. Have no accumulated losses.

iii. Have record of regular payment to financial institutions / banks. Professionals should be in practice and be income tax payers.

iv. Have a net worth equivalent to the hire purchase value.

v. Have a record of regular repayment to banks / financial institutions, if any. Commercial transport vehicle operators should.

vi. Have been in the transport business for at least two years.

vii. Have positive networth.

viii. Have a record of regular repayment to banks / financial institutions.

c) Extent of Finance under this scheme For industrial Concerns Rs. 5.00 lakhs for plant and machinery / equipments Rs. 1.00 lakh for vehicles and For Commercial transport operators: Rs. 2.00 lakhs.

d) Amount of Assistance and Promoters’ Contribution under this scheme is Upto 90% to 100% of the asset amount and from 10% to 0% of the hire purchase amount. In case of 100% finance, the Hirer is required to pay 3 months advance EMIs.
e) Period of repayment of loan under this scheme is between 3 to 5 years with a moratorium of one to three months period from the date of 1st disbursement.

f) Securities required under this scheme are Hypothecation of the assets under Hire Purchase assistance and personal guarantee of the promoters. Minimum collateral security of 100% of the assistance will be insisted. However, in deserving good cases, Managing Director can relax the requirements of collateral security. The scheme is in operation in head office only.

5.3.2: Non-Convertible Debentures:

a) This scheme was introduced to subscribe the private placement of the debentures issued by the corporate entities. The proceeds of this debenture issue should be utilized by the companies to meet their long term working capital and capital expenditure.

b) The following norms should be satisfied by and enterprise for getting assistance from KSFC under this scheme only the corporate entities that satisfy the following norms:

i. The Company should fall under the relevant provisions of SFCs' Act with regard to Eligibility for such assistance.

ii. The company should have been in production for at least 3 years and earned profits.

iii. The company should have positive networth.

iv. The company should not be in default to financial institutions or banks.
v. Funds raised through issue of debentures should be utilized to meet long term working capital margin and up to 50% on capital expenditure.

c) The minimum limit of assistance will be Rs. 30.00 lakhs and the maximum limit will be the amounts permissible from time to time under SFCs’ Act.

d) The extent of assistance will be determined on the working capital gap and the capital expenditure requirement. The working capital gap will be calculated by taking the total requirements of working capital and the bank finance.

e) Securities required under this scheme are

i. Collateral security to the extent of 125% of the NCD facility sought.

ii. Second charge on the current assets of the company.

iii. Corporate Guarantee of the company and personal guarantee of the directors.

iv. Post dated cheques for interest and subscribed portion of the NCD.

f) Others requirements of the scheme are

i. The company should pay 0.50% Management Fee and 0.50% Brokerage and under writing commission.

ii. The company should pay documentation fee as per the norms of the Corporation.

iii. The company should appoint debenture trustee as required and trustee fee is to be paid as per prevailing rates.
5.3.3: Factoring

a) Eligibility Criteria’s for assistance from KSFC under this scheme are

i. SSI / MSI units who have a minimum three years track record with consistent Profitability and positive net worth.

ii. SSI / MSI unit should sell its finished products under deferred payment.

iii. The unit should not be in default to institutions.

iv. Bill to be discounted must relate to domestic trade debts arising in the usual course of supplier’s business.

v. Based on credit sale of the company for last three years limit will be fixed for utilization for each individual case to be reviewed every year.

vi. The company should provide disclaimer letter from the bank / s who have provided working capital indicating that the supply bills are not financed by the bank and they have no charge on the proceeds of the bill. All advance payments are paid to suppliers account to the bank providing working capital.

vii. The customers of the company should be reputed or the company should have dealings with these customers for a minimum period of two years regularly.

viii. The factoring facility will be provided only from head office.

ix. Legal documents must be executed by the company to the satisfaction of the Corporation.
x. The supplier must submit a monthly statement indicating sale and collections.

b) Extent of Assistance under this scheme will be 80% of the invoice value including insurance, freight and taxes as upfront payment subject to the maximum exposure of Rs. 150.00 lakhs per unit including all other fund based limits provided to the unit by the Corporation.

c) Deferred Credit Period will be maximum credit period of the bills eligible for discounting would be 180 days.

d) Securities required under this scheme are

i. Personal guarantee of the promoters and any one or a mix of the following securities will be obtained.

ii. Purchaser’s bank guarantee.

iii. Co-acceptance of bills by Banks / Financial Institutions.

iv. Corporate guarantee / Counter guarantee.

v. Collateral security of immovable properties and / or pledge of shares by the seller or the purchaser.

vi. Charge on assets of the purchaser / seller company covering under the scheme.

5.3.4: Foreign Letter of Credit

a) KSFC has been operating the scheme of opening Foreign Letter of Credit for importing the capital goods through commercial bank exclusively for our borrowers since 1995. The scheme is operated in the HP & FS department of head office and the salient features are as below. Details to be submitted by the borrower:
i. Application form.

ii. Undertaking on Rs. 50 Non Judicial Stamp Paper.

iii. Specific Import License (Goods not covered under OGL).

iv. Copy of Import & Export Code.

v. Latest Performa Invoice.

b) Terms of Payment under this scheme will be 25% margin money at the time of establishing the LC and the remaining payment will be arranged by KSFC by issuing Letter of Comfort.

**5.4: Other Financial Services Provided by KSFC:**

**5.4.1: General Insurance**

KSFC has entered into a strategic alliance with IFFCO-TOKIO General Insurance Company to market the Non Life Insurance Products. This would enable the clients of KSFC to have credit and the insurance under one roof. The premium tariffs applicable are same as the other insurance companies and at no extra service charges. An exclusive Insurance Cell with well trained staff is in operation at Head Office. The details of the general perils covered are,

a) Fire  
   i) Personal Accident Cover  
b) Earth quake  
c) Burglary  
d) Machine breakdown  
e) Marine  
f) Cash safe / transit  
g) Fidelity guarantee  
h) Household Insurance.

j) Medical Insurance  
k) Vehicle Insurance  
l) Bankers Indemnity  
m) Trade and Office  
n) Electronic Equipment.  
o) Travel Insurance.
5.4.2: Life Insurance

KSFC has entered into strategic alliance with Life Insurance Corporation Of India, the largest and oldest Life Insurance Corporation of the country to market its Life Insurance Products. The Corporation will help the customers in identifying the tailor made policies suitable for their future financial needs and extend professional service from procurement of policies to settlement of claims/payment on maturity to the customers. The clients of KSFC can avail, as welfare measures to cover critical illness risks / death risks of their employees and also avail Group Gratuity schemes to cover their statutory liabilities and obtain tax exemptions on premiums paid. KSFC will arrange presentation of individual and group products to our clients at their premises. The services are available at no extra cost at Head Office and at all the branches of the Corporation situated in the district head quarters. The Corporation believes that Life insurance is not only an investment decision but also a risk protection. The key persons of the ventures who have availed the loans from KSFC can avail special policies to protect against the risk of burden of debt in case of happening of any unfortunate event to the key person. KSFC do have well trained staff for servicing the clients of life insurance at Head Office as well as Branch Office.

5.4.3: UTI Mutual Fund Products

KSFC has entered into MOU with UTI MF for distributing UTI MF products. UTI Mutual Fund is one of the leading Mutual Funds in
the country. It has got more than Rs.38,358.00 crore worth of assets under its management. It has got more than 40 schemes of offer, suitable for short term long term investments in the category of debt funds, balance funds and equity linked schemes. The individuals, co-operative societies, private limited companies, charitable trusts and PF trusts, co-operative banks can invest their investible surplus in the UTI Mutual Fund Products. The Corporation has got professionally trained persons to guide in the investment process of UTI Mutual Fund at Head Office and Branch Offices. The service carries no extra charges.

5.4.4: Monitoring Agency:

As per SEBI guidelines any company which is issuing more than Rs. 500 crore shares for subscription by the public, has to appoint a monitoring agency. KSFC is a notified agency for this. The work involves inspection of the books of accounts and physical assets of the company every six months, until the completion of the project to verify and certify that the proceeds of the issue are utilised towards the objects of the issue declared in the prospectus. The companies planning to issue IPOs can utilise the services of Corporation for Monitoring Agency assignment as per SEBI guidelines.

5.4.5: Infrastructure Development:

Infrastructure is an integral part of the services sector and plays a crucial role in the industrial development. With rapid growth of the economy in recent years, the importance and urgency of infrastructure development has increased. Recognising this, the
Corporation as part of diversification, has taken up infrastructure development projects with public / private participation.

The Corporation has been initially focusing on identifying valuable lands in the prime localities in and around Bangalore City owned by various government departments / governmental agencies / registered societies / trusts etc., exploring suitable infrastructure development on joint venture basis. In respect of such joint venture projects, the Corporation takes care of all the financial tie-ups for development of these properties. The expected income out of different revenue models will be shared with the owners of the properties in appropriate ratio on mutually agreeable terms and Corporation understanding the after studying economics / viability.

The proposed joint venture projects will be of world class and state of art technology. It could be IT park, shopping mall, commercial complex, SEZ, etc., depending upon the location of the property and commercial potentiality of the place. This new activity will ensure sustained cash flow for the concerned owner of the property as well for KSFC by way of rentals and other earnings which will be mutually beneficial to both the institutions. A separate infrastructure development department is created for this purpose and is fully functional.12
The following table shows the interest rate structure of KSFC.

**Table 5.1: Interest Rate Structure of KSFC**

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Category of borrowers / loans</th>
<th>Interest rates (in %age) (w.e.f. 1.6.2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Gross</td>
</tr>
<tr>
<td>01</td>
<td>a) All Term Loans (including WCTL) over Rs.2,00,000/- to MSMEs,</td>
<td>15.00</td>
</tr>
<tr>
<td></td>
<td>b) Acquisition of ISO accreditation,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c) SRTOs and Acquisition of private vehicles.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>d) Tourism related activities; Amusement parks, Convention Centres, Restaurants, Travel &amp; Transport, Tourist Service Agency, Hotels &amp; Restaurants, Mobile Canteen / Catering , Resorts, Service Apartments</td>
<td>15.00</td>
</tr>
<tr>
<td></td>
<td>e) Health Care Services: Assistance to Doctors / Qualified Medical Practitioners, Nursing Homes/ Hospitals, Electro Medical Equipment.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>f) Assistance to qualified Professional: Management Professionals, Medical Professionals, Accounting Professionals, Architects &amp; Engineers, Veterinary Clinics.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>g) DG Sets, Mobile Generators.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>h) Godown / Warehouse</td>
<td></td>
</tr>
<tr>
<td></td>
<td>i) Office Automation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>j) Training Institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Term Loans above Rs.50,000/- and up to Rs.2,00,000/- and other than loans indicated in Sl.No.3,4 &amp; 5</td>
<td>14.50</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>02</td>
<td><strong>a)</strong> Construction / Buying Commercial Complexes,</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>b)</strong> Construction activities like Residential Apartments, Villas, Group Housing, Layout Formation / Property Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>c)</strong> Shopping Complexes.</td>
<td>16.50</td>
</tr>
<tr>
<td></td>
<td><strong>d)</strong> Industrial Estates, IT Software Parks</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>e)</strong> Ready built office space, Construction/Buying Ready built show rooms and Sales outlets, Development Maintenance and Construction Roads / Infrastructure Projects</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>f)</strong> Professional Education Institutes.</td>
<td></td>
</tr>
<tr>
<td>03</td>
<td><strong>a)</strong> Corporate loans, AMARA scheme, Bridge loans, Finance to existing assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>b)</strong> Entertainment industry (including Cinema Theatre / Multiplex, Production of feature films, TV Serials, Dubbing / Recording, Software for visual media publicity).</td>
<td>16.00</td>
</tr>
<tr>
<td></td>
<td><strong>c)</strong> Rental Discounting scheme.</td>
<td></td>
</tr>
<tr>
<td>04</td>
<td><strong>Privileged Entrepreneurs Scheme</strong></td>
<td>14.50</td>
</tr>
</tbody>
</table>

*Source: KSFC Brochure “product & Services” Year of Publication 2009 pp.82-85*
5.5: Rebate and Concessions:

5.5.1: General

a) In case of RSR loans, additional concession of 0.50% will be provided in the interest rate.

b) Additional Rebate of 0.50% can be extended for

   i. Credit Rated Clients with a rating of AAA, which is equivalent to ‘Lowest Risk’ i.e. ‘LL’ as per Credit Risk Analysis Models.

   ii. Fresh sanctions to ISO certified units, made on or after 01-08-2008.

c) Rebate for prompt payment shall be provided in two slabs of 1% and 1.5% as indicated in the interest table.

d) The rebate will be allowed on current interest for the prompt payment of both principal and interest rate payment and on or before due dates for the respective quarter.

e) In case the borrower commits default in paying the Principal / Interest instalment of any one quarter / month, then the said borrower shall not be eligible for rebate for two successive quarters / months, including the one in which the prompt payment does not take place.

5.5.2: Rebate and Concessions for SC/ST Entrepreneurs

The loans to Scheduled Caste / Tribe entrepreneurs will be sanctioned at the above applicable rates. However, effective rate to these entrepreneurs will be 4% p.a. After the difference between the lending rate and effective rate of 4% p.a will be met by the GOK as per the KSFC circular No. 786 dated : 30-3-2007.
5.5.3: Maximum Cap on Rebate:

a) The overall rebate allowed to any unit under different categories shall not exceed 2.00%.

b) Penal Interest: Penal interest of 2.5% p.a. over and above applicable interest will be charged in case of default on the defaulted amount for defaulted period to all categories of borrowers.

c) Loan Amount Standing to Determine: Interest Rate: While applying the interest rate, the total loan outstanding (i.e., existing and proposed loan) will be the criteria for deciding the rate of interest.

d) Deferred Payment in Case of Sale U/S.29 of SFCs Act: The rate of interest for deferred payment liability in case of sale of assets will be the highest current rate of interest, even if the aggregate loan is less than Rs. 2.00 lakhs.

e) Transfer of Loan Liability: The original contract rate of interest will continue to apply in case of transfer of loan liability.

5.6: Entrepreneurship Development Programme (EDP)

Entrepreneurship Development Programme (EDP) is a systematic and an organized development of a person to an entrepreneur. It is a process in which persons are injected with motivational drives of achievement and in right to tackle uncertain and risky situations especially in business undertakings. The process of entrepreneurship development focuses on training, education,
reorientation and creation of conducive and healthy environment for the growth of enterprises.

5.7: Need for EDP

Entrepreneurial Development Programme is an effective human resource development programme. The need for EDP arises because of the following reasons:

a) Eliminates poverty and unemployment.

b) Ensures balanced regional development.

c) Prevents industrial slums.

d) Utilizes locally available resources.

e) Defuses social tensions.

f) Capital formation.

5.8: Phases Involved in Entrepreneurship Development Programme (EDP)

The entrepreneurship development programme (EDP) normally passes through three important phases:

a) Pre-training phase: This is a preparatory phase for launching the programme. It includes:

   i. Identification of operationally promising area

   ii. Selection of project leader/course coordinator

   iii. Arrangement of infrastructural facilities for the programme

   iv. Undertaking potential industrial survey/environmental scanning for identification of good business opportunities

   v. Planning the programmes

b) Training phase: Training phase of EDP includes:
i. Motivation and reinforcement of entrepreneurial traits, confidence building etc.

ii. Facilitating decision making process to set up a new venture.

iii. Successful and profitable operation of enterprise.

c) Post training or follow-up phase: Post training support services are rendered to the participants who have successfully completed the entrepreneurship. The objectives of post training services are:

i. To provide a meaningful direction to the trainees in grounding their enterprise.

ii. To review the progress made by trainees in implementation of the project.

iii. To review the post training approach.

iv. To provide escort services to the trainees by involving financial institutions and promotional agencies.

5.9: Institutions Conducting Entrepreneurial Development Programmes in India

Several central and state level institutions have been set up for entrepreneurship development. These are mentioned below:

a) At the Central level:

i. National Institute for Entrepreneurship and Small Business Development (NIESBD).

ii. Small Industries Development Bank of India (SIDBI).

iii. Small Industrial Development Organisation (SIDO).

iv. Small Industry Service Institutes (SISIs).

vi. Entrepreneurial Development Institute of India (EDII).

b) At the State Level (J&K):
   
i. Directorate of Industries (DI's)
   
ii. Small Industries Development Corporation (SIDCO)
   
iii. State Financial Corporation (SFC)
   
iv. J&K EDI

c) At the District Level: -
   
i. District Industries Centre (DIC).\textsuperscript{14}

5.10: Entrepreneurial Development Programmes Provided by KSFC

The Karnataka State Financial Corporation (KSFC) is providing the Entrepreneurial Development Programmes (EDP) to entrepreneurs who availed assistance. These programmes were conducted every year by the Corporation. In these programmes they will inform/discuss about the schemes, subsidy, rebate, concessions and other information related to new policy, norms, conditions, etc., provided by the state corporation. The beneficiary will be informed regarding these programmes.

The State and Central Governments other financial intuitions like DIC, NIESBD, SISIs, NSIC, EDII etc., will also conduct/provide programmes like seminars, training, workshops etc., for Development of Entrepreneurship in the country, the beneficiary of KSFC can also attend these programmes.
5.11: Financial Performance of KSFC from the Year 2010-11 to 2014-15

**Table: 5.2: Gross Amount Sanctioned by KSFC**

(Amount in crore)

<table>
<thead>
<tr>
<th>Years</th>
<th>Gross Sanctioned Amount</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>731.63</td>
<td>1,537</td>
</tr>
<tr>
<td>2011-12</td>
<td>817.32</td>
<td>1,485</td>
</tr>
<tr>
<td>2012-13</td>
<td>944.06</td>
<td>1,598</td>
</tr>
<tr>
<td>2013-14</td>
<td>909.26</td>
<td>1,426</td>
</tr>
<tr>
<td>2014-15</td>
<td>675.15</td>
<td>1,092</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2670.64</strong></td>
<td><strong>7,138</strong></td>
</tr>
</tbody>
</table>

*Source: Annual Reports of KSFC*

Table 5.2 shows the total gross amount sanctioned to number of units by KSFC. The amount sanctioned by KSFC for the year 2010-11 was 731.63 crore to 1,537 units, in the year 2011-12 it was 817.32 crore to 1,485 units, in the year 2012-13 it was 944.06 crore to 1,598 units, in the year 2013-14 it was 909.26 crore to 1,426 units and in the year 2014-15 the total gross amount sanctioned by KSFC was 675.15 crore to 1,092 units.

**Graph: 5.1: Gross Amount Sanctioned by KSFC**
The maximum amount has been sanctioned by KSFC in the year 2012-13 i.e. 994.06 Crore to 1598 units. When it compared to year 2010-11, 2011-12, 2013-14 and 2014-15 the amount sanctioned by KSFC was maximum in the year 2012-13.

**Table: 5.3: Assistance Provided to Micro, SSIs Units**

(Amount in crore)

<table>
<thead>
<tr>
<th>Years</th>
<th>Amount to Micro &amp; SSIs</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>549.27</td>
<td>1,316</td>
</tr>
<tr>
<td>2011-12</td>
<td>529.76</td>
<td>1,226</td>
</tr>
<tr>
<td>2012-13</td>
<td>606.96</td>
<td>1,271</td>
</tr>
<tr>
<td>2013-14</td>
<td>575.41</td>
<td>1,157</td>
</tr>
<tr>
<td>2014-15</td>
<td>482.15</td>
<td>915</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2743.55</strong></td>
<td><strong>5,885</strong></td>
</tr>
</tbody>
</table>

Source: Annual reports of KSFC

Table: 5.3 shows the assistance provided by KSFC to micro and SSIs units in Karnataka. In the year 2010-11 assistance provided by KSFC to micro and SSIs units was 549.27 crore for 1,316 units, in the year 2011-12 it was 529.76 crore for 1,226 units, in the year 2012-13 it was 606.96 crore for 1271 units in the year 2013-14 it was 575.41 crore for 1157 units and in the 2014-15 it was 482.15 crore for 915 units.
The maximum assistance provided by KSFC to micro, SSIs units was in the year 2012-13 i.e. 606.96 crore for 1271 units.

**Table:5.4: Disbursements of Amount from the Year 2010-11 to 2014-15**

(Amount in crore)

<table>
<thead>
<tr>
<th>Years</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>580.41</td>
</tr>
<tr>
<td>2011-12</td>
<td>597.08</td>
</tr>
<tr>
<td>2012-13</td>
<td>734.7</td>
</tr>
<tr>
<td>2013-14</td>
<td>707.47</td>
</tr>
<tr>
<td>2014-15</td>
<td>553.62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2039.25</strong></td>
</tr>
</tbody>
</table>

Source: Annual reports of KSFC

Table 5.4 shows the total disbursements of amount by KSFC. In the year 2010-11 the total disbursements of amount by KSFC was 580.41 crore, in the year 2011-12 it was 597.8 crore, in the year 2012-13 it was 734.7 crore and in the year 2013-14 it was 707.47 crore and in the year 2014-15 the disbursements of amount by KSFC was 553.62.
In the year 2012-13 the maximum amount has been disbursed i.e. 734.7 crore. when compared to the year 2010-11, 2011-12, 2013-14 and 2014-15 by the KSFC.

**Table 5.5: Amount Recovered from the year 2010-11 to 2014-15**

(Amount in crore)

<table>
<thead>
<tr>
<th>Years</th>
<th>Recoveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>586.71</td>
</tr>
<tr>
<td>2011-12</td>
<td>660.9</td>
</tr>
<tr>
<td>2012-13</td>
<td>792.89</td>
</tr>
<tr>
<td>2013-14</td>
<td>836.52</td>
</tr>
<tr>
<td>2014-15</td>
<td>814.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2290.31</strong></td>
</tr>
</tbody>
</table>

*Source: Annual Reports of KSFC*
Table 5.5 Shows the total amount recovered by KSFC from the year 2010-11 to 2014-15. In the year 2010-11 the total amount recovered by KSFC was 586.71 crore, in the year 2011-12 it was 660.90 crore, in the year 2012-13 it was 792.89 crore, in the year 2013-14 it was 836.32 crore and in the year 2014-15 the amount recovered by KSFC was 814.00 crore.

**Graph 5.4: Amount Recovered from the year 2010-11 to 2014-15**

For the year 2010-11 to 2013-14 the performance of the recovery is increasing.

**Table: 5.6: Percentage of Net Non Performing Assets of KSFC**

<table>
<thead>
<tr>
<th>Years</th>
<th>Percentage of NPA (net)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>2.37</td>
</tr>
<tr>
<td>2011-12</td>
<td>3.72</td>
</tr>
<tr>
<td>2012-13</td>
<td>2.78</td>
</tr>
<tr>
<td>2013-14</td>
<td>2.57</td>
</tr>
<tr>
<td>2014-15</td>
<td>5.07</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9.07</strong></td>
</tr>
</tbody>
</table>

*Source: Annual reports of KSFC*
Table 5.6: shows the percentage of net non performing assets of KSFC from the year 2010-11 to 2014-15. In the year 2010-11 the NPA was 2.37 percentage, in the year 2011-12 it was 3.72 percentage, in the year 2012-13 it was 2.78 percentage, in the year 2013-14 it was 2.57 percentage and in the year 2014-15 the NPA of KSFC was 5.07 percentage.

**Graph: 5.5: Percentage of Net Non Performing Assets of KSFC**

The net non performing assets of KSFC from the year 2010-11 to 2013-14 is fluctuating and found highest in the year 2014-15.

**Table 5.7: Net profit of KSFC from the year 2010-11 to 2014-15**

(Amount in Crore)

<table>
<thead>
<tr>
<th>Years</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>21.87</td>
</tr>
<tr>
<td>2011-12</td>
<td>11.09</td>
</tr>
<tr>
<td>2012-13</td>
<td>17.02</td>
</tr>
<tr>
<td>2013-14</td>
<td>11.42</td>
</tr>
<tr>
<td>2014-15</td>
<td>44.47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39.53</strong></td>
</tr>
</tbody>
</table>

*Source: Annual reports of KSFC*
Table 5.7 shows the net profit of KSFC from the year 2010-11 to 2014-15. In the year 2010-11 the net profit of KSFC was 21.87 crore, in the year 2011-12 it was 11.09 crore, in the year 2012-13 it was 11.42 crore, in the year 2013-14 it was 11.42 crore and in the year 2014-15 the net profit of KSFC was 44.47 crore.

**Graph 5.6: Net profit of KSFC from the year 2010-11 to 2014-15**

Graph 5.6 shows the Net profit of KSFC for the year 2010-11 to 2014-15. In the year 2014-15 KSFC had made highest profit compared to 2010-11, 2011-12, 2012-13 and 2013-14.

**5.11: Conclusion**

Entrepreneurship is most pivotal and crucial activity for the development of economy of any nation. In this regard Government has taken certain initiatives to promote entrepreneurship across various segments, regions. These initiatives under different schemes and categories have been listed out in this chapter which will be helpful in understanding the efforts laid down by Government to reach aspiring entrepreneurs.
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