CHAPTER VII

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INTRODUCTION

The present chapter summarizes the main findings of the study undertaken and incorporates suggestions of the study on “The Role of Maharashtra State Financial Corporation in Industrial Development: A Comparative Study of Sindhudurg and Kolhapur Districts.” This being the concluding chapter of the study, the hypothesis formulated in the research design and objectives have been tested with the help of the findings and ends with issues for further research. The major conclusions of the study, as they are made in various chapters are also presented below.

CONCLUSIONS

Industrial development is considered to be vital for the overall growth of an economy. It remains the chief instrument for providing employment to the vast masses of the unemployed and underemployed in the country. But the process of Industrialization in underdeveloped countries is not easy. It faces a number of difficulties like lack of proper environment, technical know-how, scarce availability of finance etc. Adequate supply of long-term industrial finance has been identified as one of the major problem to support and sustain the massive programme of industrialization. To fill the gap between the demand for and supply of this industrial credit, availability of industrial finance was a precondition.

Before the partition of India the setting up of industries alongwith the incumbent need of finance was left entirely to the private sector. Commercial banks provided funds but they confined their operations to financing only short-term loans because this was considered being unsafe.

DEVELOPMENT BANKING

After 1947 this state of affairs let to the necessity of setting up special financial institutions known as ‘Development Banks’ in order to provide the
means for financing for industrial development. The establishment of Development Banks was viewed as a culmination of the demands for special institutions to provide industrial finance. As an integral part of the broad strategy of planned economic development a battery of Development Banks has come into being in our country. Development Banks are an institutional mechanism that functions as an active agent for providing a balanced and viable process of economic development. Development Banks has been defined as an institution, which undertakes to perform banking as well as promotional functions. Development Banks in India owe their origin, constitution and objective to the particular needs of the country in the matter of economic growth. The structure and functions of Development Banks are varied to meet the financial requirement of industries. A beaming was made in this direction by the establishment of IFCI in 1948. Since then the machinery of development banking in the country has been strengthened by the addition of new institutions like ICICI in 1955, IDBI in 1964, IIBI (erstwhile IRBI) was setup in 1985, SIDBI in 1990, IDFC in 1997, Exim Bank and NABARD in 1982, NIC in 1906, NIA in 1919, OIC in 1947, LIC in 1956, UTI in 1964, GIC in 1972, UII in 1973, and TFCI in 1989. Alongwith these it was also decided to setup Regional Development Banks to cater to the needs of small and medium enterprises. Accordingly, at different intervals of time State Financial Corporations (18 SFCs setup under SFC Act, 1951), State Industrial Development Corporations (28 SIDCs established under Company Act, 1956), SSIDC in 1956, NEDFi in 1995, TCO, NSIC in 1955, KVIC in 1957and TCO.

In broad sense, Development Banks promote in backward regions, assist in the setting up new projects or in the modernization of existing industries and encourages project producing mass consumption goods and input substituting industries in conformity with the national plan.

Keeping in view the special financial needs of the industries in Maharashtra, there was a demand for a specialized financial institutions to meet the financial as well as the developmental needs of industrial sector in Maharashtra, MSFC was established on 30th November 1953; to provide finance and co-ordinate the activities of other financial institutions for the integrated development of industrial sector in Maharashtra.
During 2003-04 Development Banks sanctioned and disbursed aggregated Rs.65282 crore and Rs.41982 crore respectively. Cumulative sanctions and disbursements as at end-March 2004 amounted to Rs.932469 crore and 684100 crore respectively.

During 2003-04 Regional Development Bank like SFCs sanctioned and disbursed Rs.1545.40 crore and Rs.1291.40 crore respectively. Cumulative sanctions and disbursements of SFCs amounted to Rs.40326.70 crore and Rs.33676.30 crore respectively. But as per the Report of the Working Group on Development Financial Institutions the SFCs financial position has irretrievably deteriorated. Barring 4, the remaining 14 SFCs in different States have significantly negative performance.

**MAHARASHTRA STATE FINANCIAL CORPORATION**

At initial stage the MSFC had taken some important steps to fulfill its objectives. The MSFC, which is as a refinancing institution and has introduced different types of schemes to meet the varying needs of the industrial sector. The MSFC offered wide ranges of financial assistance through IDBI, SIDBI etc. The different schemes offered by MSFC have SWS, NEFS, MUNS, WES, EFS, RTDM, GLS, CLS, SIS, QPS, MD/MP, AH/ANH, SNHS, SEMFEX, H and R, TRFS, FASSUAC, TLS, QCFES, STAA/WC, PMS, MSSCVI, MT/CRLS, STLS, ELFS, ECFS, BDF, RTUFS, TUF5S, SAISO-9000, R ISO-9000, STLA, and CLCSS. For the purpose of effective recovery, MSFC has introduced and implemented OIS and LR, NDND OTS-IV and OTS schemes for overdue borrowers.

**PROCEDURES OF FINANCIAL ASSISTANCE**

To avail of the financial assistance from MSFC, the aspiring concerns have to fill up complex form. It is observed that the forms are lengthy. It is time-consuming process to complete this form.

It is further observed that there are so many documents, required alongwith application form.

MSFC has provided assistance under different schemes. Sanction of assistance is communicated to the clients through a letter, which contains the list of formalities to be fulfilled to get the assistance disbursed. Clients find
it very difficult to get released the funds after these have been sanctioned. It is observed that most of the respondents complained about too much of documentation and formalities before availing disbursement. But it may be said that almost all the documents required for disbursement are reasonable since the MSFC has to bind the unit-holders legally.

After sanction and disbursement of loan it is important to follow-up utilization of funds to ensure that there is not misuse and funds are proper utilized in an effective manner for this it is necessary for officials to visit concern units to make assessment as well as ask for regular submission of progress reports. But it is found that officials of MSFC take it as a routine job. Majority of unit-holders were of the view that there is not serious follow-up. But effective follow-up is important for project evaluation and for finance.

Lower interest rate can be effective way of attracting more industrialists. The Table VI.19 shows the rate of interest charged by MSFC. The interest is 14 percent to 23 percent. It is much more than other financial institutions and Banks. The MSFC has charged interest at 3.5 percent over and above the rate of which they got funds from SIDBI and IDBI that is not reasonable.

RECOVERY STRATEGY

A comprehensive recovery strategy has also been finalized whereby the major thrust of the operation of the MSFC is being diverted towards maximizing recovery. For the purpose of effective recovery, MSFC has introduced and implemented OIS and LR, NDND OTS-IV and OTS schemes.

PERFORMANCE OF MSFC:

MSFC has always encouraged potential entrepreneurs even if they lacked necessary pre-requisites in the form of adequate promoter's contribution or security. MSFC always felt that entrepreneur is the main source of strength for the success of any venture.

MSFC has played a prominent role over the years in the expansion of industrial sector particularly in the backward and developing areas of the
state of Maharashtra and Goa, Daman and Diu. Since its inception upto March-end 2004, 21510 loans for Rs.951.17 crore have been sanctioned in developed areas of Maharashtra while 19462 loans for Rs.1425.92 crore have been granted in developing areas of Maharashtra. Loans amounting to Rs.772.53 crore in 14835 cases have been sanctioned in backward areas in Maharashtra, Rs.209.14 crore in 2399 cases have been given in Goa while assistance provided in Daman and Diu amounted to Rs.72.62 crore in 366 cases.

The MSFC disbursed region-wise term loans since its inception upto March-end 2006, Mumbai-Konkan Thane Daman and Diu (Rs.963.46 crore) followed by Pune (Rs.321.47 crore), Nagpur (including Amravati)(Rs.299.07 crore), Nasik (Rs.270.14 crore), Aurangabad (Rs.255.02 crore.), Kolhapur (Rs.216.80 crore.) and Goa (including Sindhudurg)(148.22 crore)

The MSFC continued to concentrate on maximum recoveries and stabilizing its overall operations during the financial year ended 31st March 2006. MSFC also continued to provide opportunity to the defaulting units for One Time Settlement of the dues under the OTS (Negotiated Settlement) Scheme. The favorable policies for the industrial sector and overall economic upswing have been showing positive results and industries are expected to benefit by this optimistic climate. The MSFC, however, adopted cautious approach in sanctioning loans during the year under review by giving priority to the existing good borrowers. The percentage of recovery out of current demand was 9 percent and the percentage of total recovery to net total demand was 4.94 percent.

The average rate of sanctions during the period 1993-94 to 2005-06 was Rs.3093.86 crore and average rate of disbursement in the same period was Rs.2187.03 crore which was much slower, but the average rate of total collections i.e. principal amount plus interest amount was Rs.223.17 crore.

Similarly operating income also indicates the rising trend from Rs.100.34 crore upto end of March 1994 to Rs.177.60 crore upto end of March 1997 and decreasing trend from Rs.175.86 crore to Rs.23.37 crore upto end of March 2006.
Average of operating expenses during 1993-94 to 2005-06 was Rs.24.51 crore per year and trend was flexible. As per revival strategy, MSFC has reduced in operating expenses e.g. operating expenses were Rs.21.53 crore in 1993-94, which were decreased upto Rs.11.09 crore in the year 2005-06. It is also pointed out in the table that numbers of employees have been decreased from 977 to 229 during above thirteen year. It indicates the policy of MSFC regarding minimizing of expenses.

It is observed from the table that Net Profit After Tax (NPAT) indicates increasing trend from March 1994 upto the end of March 1996.

Share capital (including share application money) was Rs.52.71 crore in the year 1993-94 it is reached upto Rs.62.65 crore at the end of March 2006.

The researcher concludes that, the business of MSFC had fluctuated in each year.

PROBLEMS OF MSFC

MSFC has reached a stage where reschedulement and restructuring are crucial for survival. As part of the efforts in this direction, MSFC has implemented several measures directed towards curtailing the operating cost, internal strengthening and restructuring. To bring about operational restructuring, nine Branch Offices of the MSFC and one regional Office have been relocated. With a view to curtail recurring expenditure, inter-alia, Voluntary Retirement Scheme (VRS) was introduced for employees. In its efforts for regaining strength and revival of its operations, MSFC has face different type of problems. Till 1995-96 MSFC was a profit making institution, thereafter it has started suffering losses.

REVIVAL STRATEGY OF MSFC

The prospects of the MSFC are also linked with the need for reducing the borrowing cost of funds made available to the MSFC. The rigid and high borrowing cost about 12.90 percent has forced the MSFC to extend assistance at higher lending rate, which has proved a major contributing factor for creation of Non Performing Assets. Because of the high borrowing cost, MSFC, like other State Financial Corporations (SFCs) in the country, is not in a position to lend at a competitive rate of interest as offered by
Banks. Considering the fixed nature of refinance rates, MSFC is not in a position also to reduce on its own, high interest rates charged to the borrowers which have resulted in premature repayment by many borrowers attracted by reduced rates offered by banks.

In its efforts for regaining strength and revival of its operations, MSFC has taken various steps by concentrating on maximizing recovery of dues, reduction in the operating cost, utilization of the assets to the fullest possible extent and proposed diversification in terms of new activities. MSFC has approached the State Government and refinancing agencies for their assistance towards revitalization and restructuring of the MSFC. Now the MSFC has started the “MSFC Special Asset Reconstruction Division” under SARFAESI Act, 2002.

MSFC by virtue of the powers vested under section 29 of the State Financial Corporations (SFCs) Act, has gained considerable expertise, in taking over possession of the mortgaged assets (such as land, building, plant and machinery and collateral security in the form of flat, shop, plot of land etc.) and disposal of the same by releasing advertisements for transfer of property with clear title. The MSFC has time tested procedures for take over and disposal of the distressed assets in the minimum time.

**ROLE OF MSFC IN SINDHUDURG AND KOLHAPUR DISTRICT**

**Financial Schemes Implemented for Sindhudurg and Kolhapur districts**

MSFC branch Sindhudurg provided finance to industries in Sindhudurg district under different seven schemes i.e. GLS, HRTS, MHS, MUNS, and TS. Bulk of sanctions accounted for by GLS i.e. 87.71 percent of total sanctions, followed by HRTS (8.92 percent), MHS (1.94 percent), MUNS (0.93 percent) and TS (0.50 percent)

Maximum proposals were sanctioned under GLS i.e. 77.15 percent of total sanctioned proposals, followed by HRTS (10 percent), MHS and TS (5.71 percent each), MUNS (1.43 percent)

MSFC branch Kolhapur implemented different type of 15 financial schemes for industries in Kolhapur district. GLS accounted bulk of sanctions i.e. 74.43 percent of total sanctions, followed by HRTS (8.99 percent), NEFS (6.13 percent), TUFS (4.71 percent), RTDM (2.31 percent),...
TS (0.98 percent), MUNS (0.92 percent), MHS (0.59 percent), ECFS (0.46 percent), EFS (0.22 percent), ELFS (0.10 percent), QP (0.10 percent) and COMP (0.06 percent)

Majority of proposals i.e. 55.09 percent sanctioned under GLS, Followed by NEFS 19.96 percent, TS 8.32 percent, HRTS 4.16 percent, MUNS 3.12 percent, RTDM 2.49 percent, COMP and TUFS 2.28 percent each, MHS 1.04 percent, EFS and ECFS 0.42 percent each and QP and ELFS 0.21 percent each.

In all MSFC has introduced 34 financial assistance schemes for industrial units. The main objective of the MSFC is to promote more industries in backward and developing area of State. Sindhudurg district is backward district whereas Kolhapur district is developed district. But in Sindhudurg district MSFC implemented only 7 schemes and 15 schemes in Kolhapur district out of 34 schemes. Majority of finance provided under GLS in both districts.

**PERFORMANCE OF MSFC IN SINDHUDURG AND KOLHAPUR DISTRICTS**

The performance of MSFC in Sindhudurg and Kolhapur districts from 1993-94 to 2004-05 at district level was considerable. A comparative performance analysis between both district in respect of the total financial assistance sanctioned and disbursed at district level and total financial performance compare with Sindhudurg and Kolhapur branches at district level including Maharashtra and Goa, Daman and Diu at State level assistance sanctioned and disbursed has been made with an emphasis on the position of Sindhudurg and Kolhapur district.

MSFC both branches financed to industrial concerns under 8 different categories as under

MSFC branch Sindhudurg, total Rs.612.02 lakh was sanctioned to industries in Sindhudurg district during study period. Out of which bulk of sanctions i.e. 28.33 percent to engineering based industries and 18.42 percent to agro based industries, followed by 17.87 percent to miscellaneous industries, 16.13 percent to service based industries, 13.74 percent to mining
and mineral based industries, 4.58 percent to electronic based industries and 0.93 percent to chemical based industries.

Sindhudurg branch has maximum financed to engineering based industries whereas minimum financed to electronic and chemical industries. It was found that no financed to forest based industry.

MSFC branch Kolhapur, total Rs 7517.86 lakh amount sanctioned to industries in Kolhapur district from 1993-94 to 2004-05.

Maximum assistance sanctioned to engineering based industries i.e. 31.61 percent of total sanctions, followed by agro based industries 21.44 percent, service based industries 18.97 percent, miscellaneous industries 11.12 percent, forest based 6.24 percent, mining and mineral based industries 5.71 percent, chemical based industries 4.35 percent and 0.56 percent to electronic based industries.

MSFC branch Kolhapur has sanctioned major finance to engineering and agro based industries i.e. 53.05 percent and remaining to other 6 type of industries. It is not fair for industrial development.

Totally 70 proposals were sanctioned during study period except in the years 2002-03 and 2003-04 and its percentage with MSFC, Maharashtra and including Goa, Daman and Diu comes to 0.49 and 0.48 respectively. The total amount sanctioned was to tune of Rs.612.02 lakh and its percentages counts 0.37 and 0.33 as compared to MSFC, Maharashtra and including Goa, Daman and Diu respectively.

The total amount of Rs.343.38 lakh was disbursed during the study period except in the year 2003-04 and its ratios as compared to MSFC, Maharashtra and including Goa, Daman and Diu comes to 0.26 percent and 0.31 percent respectively.

The total amount of Rs.5440.88 lakh was disbursed during the study period and its ratios as compared to MSFC, Maharashtra and including Goa, Daman and Diu comes to 4.12 percent and 4.97 percent respectively.

Totally 481 proposals were sanctioned and its percentages with MSFC, Maharashtra and including Goa, Daman and Diu comes to 3.39 and 3.28 respectively and total amount sanctioned was to tune of Rs.7517.86 lakh and its percentages counts 4.49 and 4.04 as compared to MSFC, Maharashtra and including Goa, Daman and Diu respectively.
GENERAL ASPECTS OF STUDY-

1) It is observed with help of age and educational qualification of respondents. The data revealed that 28.57 percent respondents each in the age group of 30-40 years and 41-60 years respectively reported a education upto 12th standard and upto graduate. 7.14 percent respondents each between 41-60 years were upto postgraduate and having professional education respectively. 21.43 percent respondents between 41-60 years had obtained technical knowledge in Sindhudurg district. Whereas 17.71 percent each in the age group of 30-40 and 41-60 years respectively, 3.13 percent above 60 years were reported education upto 12th standard, 12.50 percent respondent between 30-40 years, 16.67 percent in the age group of 41-60 years and above 60 years 1.04 percent respondents were upto graduate level, 1.04 percent between 41-60 years having upto postgraduate, 2.08 percent and and 6.25 percent respondents respectively were in 30-40 and 41-60 years having professional education and 16.67 percent in 30.40 years age group, 5.21 percent in 41-60 years having technical education in Kolhapur district.

   It is concluded that in both districts, that middle age person’s i.e. age group of 41-60 years having different type of educational qualification and more attracted towards self-employment and hence has tried to establish new units. It is also conclude that majority of younger respondents in Kolhapur district than Sindhudurg district have into the occupation in the age group of 30-40 years.

2) Having information obtained with the help of field survey, the experience of respondents. In Sindhudurg and Kolhapur districts 85.71 percent and 95.83 percent respondents were experienced in the respective fields when they enter into the occupation.

3) It is observed with the help of size-wise breakup of sample units. The data revealed that 100 percent and 94.79 percent units in Sindhudurg and Kolhapur districts respectively were Small Scale Sector.

4) It is clear from the data the categories of ownership of sample industrial units. It is observed that the proprietorship form of organization is the most popular form of organization among
industrial units under study, which accounting for 57.14 percent and 48.96 percent of the total number of sample units in Sindhudurg and Kolhapur districts respectively. This figure is followed by partnership, private limited companies and trust. The units whether it is manufacturing, trading, service or processing established as proprietorship form of organization in both districts.

5) It is found that with the help of types and location of financed units by MSFC branches Sindhudurg and Kolhapur. Majority of finance provided by both branches to that industrial unit which was established in industrial areas developed by Government i.e. 50 percent and 54.17 percent units respectively. The MSFC branches have mainly provided finance to manufacturing, trading and service sector.

It is observed at the time of field survey both branches have not covered whole districts. In Kolhapur district Radhanagari, Gaganbawada and Shauwadi tahsils and Vaibhavawadi tahasil in Sindhudurg district, were not financed by respective branch of MSFC. This has created regional imbalance in industries in both districts.

6) The data reveals regarding types of worker in study units. It is observed that in industries in Sindhudurg district were more required skilled and semiskilled workers i.e. 28.57 percent and industries in Kolhapur district required i.e. 39.58 percent units semiskilled and unskilled workers.

7) Having information regarding apprentice trained. It is concluded that 28.57 percent and 9.38 percent sample units in Sindhudurg and Kolhapur district provided training facilities to the trainee workers.

8) As regarding the initial capital investment in the industrial units, the minimums initial capital investment was upto Rs.25000 in the units were only 7.14 percent and 9.38 percent in Sindhudurg and Kolhapur district respectively. Maximum initial capital investment was Rs.1000001 to 50 lakh in 57.14 percent units in Sindhudurg district, whereas in Kolhapur district 5000001 to 1 crore and above 1 crore in 1.04 percent units.
9) The unit-holders at time of setting or promoting their industrial units, received help from different agencies that helped very much for establishment or development of industrial units. Among the other factors of sources it is important to note that in both district Cooperative Banks, Nationalized Banks, Private agencies and Industrial Development Bank supplied capital to study units.

It is conclude that, besides MSFC assistance industrial units substantially depended on other sources of finance.

10) The data regarding current and long-term liabilities of respondents indicates that in Sindhudurg district 28.57 and 21.43 percent respondents were current and long-term liabilities was more than Rs.10000 and less than Rs.200000, 7.14 and 14.29 percent respondent respectively having in the range of Rs.200001 to 500000 and 14.29 percent respondents long-term liabilities were more than Rs.500000. However in Kolhapur district 26.96 percent respondents short-term liabilities and 22.92 percent respondents fixed liabilities were less than Rs.1000000 and 10.42 percent respondents short-term liabilities were more than Rs.1000000.

It is concluded that in Sindhudurg district 35.71 and 50 percent whereas in Kolhapur district 37.50 and 38.54 percent respondents having current and long-term liabilities. But the majorities of respondent in Sindhudurg district i.e. 64.29 and 50 percent and in Kolhapur district 65.63 and 61.46 percent respectively have no current and long-term liabilities because they depended on their own finance.

11) Data regarding requirement of machinery indicates that industries in Sindhudurg district were wholly depended on indigenous machinery for manufacturing, processing etc. purposes but industries in Kolhapur district depended on indigenous as well as imported machinery.

12) It is observed that data about market and distribution channels of industrial units. It is concluded that industries in both districts sold their products in local, state, national and international market either directly or indirectly through middlemen, agency etc.
13) The data reveals that 64.29 and 90.63 percent units in Sindhudurg and Kolhapur district respectively were member of different associations for betterment of growth and development of industry.

14) Industries in both districts had got different facilities from Government i.e. subsides, tax concessions etc. besides 92.86 and 95.83 percent unit-holders in Sindhudurg and Kolhapur districts respectively were expected to favourable changes in present Government policy.

It is concluded that Government policy appears to be major problem in industrial development

FINANCIAL ACTIVITIES OF MSFC-

1) MSFC branch Sindhudurg disbursed finance to 42.86 percent existing and 57.14 percent new industrial units. However Kolhapur branch disbursed to 22.92 percent existing and 77.08 percent new industrial units. It is conclude that MSFC had disbursed finance to new as well as existing industries.

2) Regional manager, Divisional manager, General Manager, Executive Committee, Board of Directors and Managing Directors are the loan sanctioning authority of MSFC. Loan sanction is depend on type of loan scheme, quantum of assistance and limit of sanctioning authority.

3) Data regarding time consumed for loan sanctioned and disbursed to study units conveys 64.29 and 21.43 percent units in Sindhudurg district and 76.04 and 42.71 percent units in Kolhapur district got loan sanctioned and disbursed respectively within one and a half month. This is reasonable period but remaining 35.71 and 78.57 percent units in Sindhudurg district and in Kolhapur district 23.96 and 57.29 percent units got loan sanctioned and disbursed more than one and a half month. This is delicate for industrial development.

4) It is observed from data about rate of interest, the range of minimum and maximum was 14 to 23 percent, which was much more to industrial units because 100 and 94.79 percent units in Sindhudurg
and Kolhapur districts were established in Small Scale Sector and high rate of interest does adverse effect on their profits.

5) The minimum and maximum range of repayment period was 5 to 9 years in Sindhudurg district and 4 to 9 years in Kolhapur district. 4 to 5 years period with one-month moratorium was for transport loans. It is sufficient to transport loan scheme. But above 5 years to 9 years period with 6 month to 2 years moratorium for term loan.

6) The sample units were paying monthly, quarterly and half yearly basis instalments.

7) In Sindhudurg district 100 percent and 96.87 percent units in Kolhapur district were utilized their loan for fixed capital investment. Marginal advances i.e. 3.13 percent units were required working capital in Kolhapur district. It is concluded that MSFC has mainly provided finance for purchase of fixed assets.

8) Having information obtained with held of field survey, the customer opinion regarding MSFC finance, why they prefer loan from MSFC, due to easy or simple loan procedure, quick sanction of loan, quick disbursement of loan, duration of repayment, customer friendly relation services, loan duration may be extended, easy documentation and good administration prefer loan from MSFC. But it is interesting to note that 3 customers i.e. 21.43 percent and 15 customers i.e. 15.63 percent in Sindhudurg and Kolhapur districts respectively got loan from MSFC due to low interest rate compared to other financial institutions.

9) Data regarding impact of loan on profit, loss and production conveys that in Sindhudurg district 21.43 and 42.86 percent and in Kolhapur district 35.42 and 63.54 percent units-holders increased their production and profit respectively, 21.43 percent and 37.50 percent unit-holders respectively had expanding, diversifying and modernizing their unit but 50 and 7.14 percent unit-holders in Sindhudurg district and 16.67 and 13.54 percent unit-holders in Kolhapur district were increased their losses and decreased profits respectively. Recession, old technology, newly establishment of units
etc. situation create burden on loan due to this 7.14 and 4.17 percent unit-holders in Sindhudurg and Kolhapur failed to pay instalment in time.

10) In Sindhudurg and Kolhapur districts 78.57 and 90.62 percent borrowers respectively were regular in repayment of loan whereas 21.43 and 9.38 percent were irregular in repayment of loan due to this their loan account were overdue.

11) It is observed from recovery performance of Sindhudurg and Kolhapur branch, recovery performance of both branches was declined and fluctuating during study period.

It is suggested to MSFC, that loans provide only good track recorded clients

PERFORMANCE, DEVELOPMENT/GROWTH AND PROBLEMS-

1) The capital investment indicates growth and development of industrial unit. The average amount of capital employed per unit and per annum was Rs.15.41 lakh and Rs.183.68 lakh respectively in Sindhudurg district and it was Rs.35.43 lakh and Rs.2785.76 lakh in Kolhapur district. Average capital investment per unit in industries in Kolhapur district was reportedly greater than 2.25 times in industries in Sindhudurg district. The above discussion, the researcher concludes that capital investment in Kolhapur district was more than Sindhudurg district. Average capital requirement is used as a criterion for indicating size of industry. It is also concluded that industries in both district have required fixed capital investment.

2) Investment in machinery indicates the size of industrial unit and growth, development of industrial unit. In the year 1994-95 there were Rs.35.61 lakh and Rs.981.40 lakh investment in industries in Sindhudurg and Kolhapur districts respectively, which was decreased in Sindhudurg district because unit-holders did not purchase new or additional machinery and increased in Kolhapur district because unit-holders purchased new or additional machinery in the year 2004-05. Due to this the growth rate trend was decreased in Sindhudurg district whereas increased in Kolhapur district.
3) The employment and wages also indicates growth and development of industries. The average employment generated and their wages was 5.32 workers and paid them wages Rs.1.06 lakh per unit and 61.33 workers, paid them wages Rs.12.65 lakh per annum in Sindhudurg district. However, in Kolhapur district 22.83 workers, paid them wages Rs.5.90 lakh per unit and 1557.42 workers, paid them wages Rs.456.74 lakh per annum. The average employment generated per unit in industries in Kolhapur district was reportedly as much 4 times more than industries in Sindhudurg district.

It was increasing trend of employment generating in both districts except in 1997-98 and 2003-04 in Sindhudurg district and 1996-97 in Kolhapur district due to the recession in the industrial sector since last few years, there was a decline in production; so the retrenchment of workers took place.

4) In Sindhudurg district average production of the 7 units were 145.12 metric tone per unit and 84.65 metric tone per annum, average production of 2 units were 2.03 lakh quantity per unit and 0.34 lakh per annum, average production of 2 units were 17400 brass per unit and 2900 per annum. Trend of production was stable from 1993-94 to 1998-99.

In Kolhapur district average production of 18 units were 5845.91 metric tone per unit and 8768.87 per annum. The trend was increased during study period except 2 years i.e. 1998-99, 1999-2000. Average production of 23 units was 65.40 lakh in quantity per unit and 125.35 lakh per annum. The trend was very flexible during study period. Average production of 4 units was 15210 brass per unit and 5070 brass per annum. Trend of production was increased during study period. The average production of other 4 units was 1114800 liter per unit and 371600 per annum. The trend was increased from 1993-94 to 200-01. The average production of 7 textile industries was 26.34 meter per unit and 15.37 meter per annum. The trend of production was stable from 1993-94 to 1999-00, and then increased upto 2004-05. Average production of remaining 7 units was Rs.87.27
lakh per unit and Rs.50.91 lakh per annum. The trend was upward during study period.
It is found that diversification of existing product, Government policy, recession in industries, change in existing work were the reasons for trend of production was flexible and fluctuated during study period.

5) Regarding view about development and growth of industry, 50 percent and 71.87 percent unit-holders in Sindhudurg and Kolhapur district respectively making improvement or necessary changes in their units for accepting new challenges of globalization in the present competitive age. For the purpose of expansion of business 7.14 and 18.75 percent unit-holders in Sindhudurg and Kolhapur districts respectively were established their new branches at different places.

6) Industries in both districts were faced different type of problems. As mach as 42.86 and 19.79 percent units in Sindhudurg and Kolhapur district had problems from Government policy, 21.43 percent units each faced raw material labour and capital problem in Sindhudurg district. However, 7.29 and 13.54 percent units faced labour and capital problem respectively in Kolhapur district.7.14 and 2.08 percent units in Sindhudurg and Kolhapur district respectively faced problem of technical know-how and 78.57 and 48.96 percent units in sindhudurg and Kolhapur district respectively faced problems by banks i.e. non-cooperation for loan sanctions.

Whether in small or large industries, problems always exist. Some face problems as if they are a challenge because that is the road advancement. If there is no problem or challenge, it tends to feel complacent, which is the beginning of or degeneration. The problems of industries should, therefore, be treated in this spirit. This, of course, does not mean that the Government, the local bodies, financial institutions and banks should create unnecessary obstacles in the path of industrialists; should function in isolation. Rather, they should be increasingly aware of the fact that they are a part of a larger society, each section of which has its own strong and weak points.
In the post-independence period, the Government at the centre and in the state has established a number of specialized institutions to cater to the varied needs of industrial units. These promotional institutions assist all and sundry in setting up small units with a view either to fulfilling their objective or over-reach their target; but they do not ensure the provision of adequate working capital, raw material power supply; nor do they help them in developing marketing outlets for the sale of their products. This situation has arisen because of the absence of a meaningful coordination among the concerned agencies.

Problems of industrial units are multi-dimensional. These can be solved by the coordinated efforts of entrepreneurs, the coordinated functioning of promotional agencies and Government assistance without redtape or bureaucratic delays. The entrepreneur has educated; and he should have a proper training in acquiring the necessary skill in running a small enterprises.

Testing of Hypothesis

While planning the study on the basis of the objectives of the study a set hypothesis were formulated. In the light of the conclusion of the study the hypothesis are examined to arrive at some definite conclusions. These hypotheses have been tested in the following paragraphs.

Hypothesis-1

MSFC has contributed towards growth and development of Sindhudurg and Kolhapur district.

This hypothesis has been examined basing upon the category-wise assistance sanctioned by MSFC, capital investments, investment in machinery, employment generated, production of study units, improvement or changes in industrial unit and opinion of the client about the MSFC assistance in success their business.

MSFC branch Sindhudurg, totally Rs.612.02 lakh was sanctioned to industrial units. Out of which bulk of Rs.173.36 lakh
sanctioned to Engineering based industries and Rs.112.72 lakh to Agro based industries, followed by Miscellaneous industries Rs.109.39 lakh, Service based industries Rs.98.74 lakh, Mining and Mineral based industries Rs.84.12 lakh, Electronic based industries Rs.28.05 and Rs.5.64 lakh to Chemical based industries. However Kolhapur branch, totally Rs.7517.86 lakh amount sanctioned to industrial concerns. Maximum assistance sanctioned to Engineering based industries Rs.2376.24 lakh, followed by Agro based industries Rs.1611.66 lakh, Service based industries Rs.1426.13 lakh, Miscellaneous industries Rs.836.33 lakh, forest based industries Rs.469.09 lakh, Mining and Mineral based industries Rs.429.34 lakh, Chemical based industries Rs.327.02 lakh and Electronic based industries Rs.42.05 lakh.

The average amount of capital employed was per unit and per annum was Rs.15.41 lakh and Rs.183.68 lakh respectively in Sindhudurg district and it was Rs.35.43 lakh and Rs.2785.76 lakh respectively in Kolhapur district.

In the year 1994-95 there were Rs.35.61 lakh and Rs.981.40 lakh investment in machinery in industries financed by Sindhudurg and Kolhapur branch respectively, which was upto Rs.7.92 lakh and Rs.979.91 lakh in the year 2004-05 respectively.

The average employment generated 5.32 per unit and 61.33 per annum in Sindhudurg district whereas 22.83 workers per unit and 1557.42 workers per annum in Kolhapur district. It was increasing trend of employment generated in both districts.

The average productions of industries were as follows.

In Sindhudurg 7 units were 145.12 metric tones per unit and 84.65 metric tones per annum. 2 units were 2.03 lakh quantity per unit and 0.34 lakh quantity per annum and remaining 2 units were 17400 brass per unit and 2900 brass per annum. However in Kolhapur district, 18 units were 5845.91 metric tone and 8768.87 per annum, 23 units were 65.40 lakh in quantity per unit and 125.35 lakh per annum, 4 units were 15210 brass per unit and 5070 brass per annum, 4 units
were 1114800 liters per unit and 371600 per annum, 7 units were 26.34 meters per unit and 15.37 meters per annum and remaining 7 units were Rs.87.27 lakh per unit and Rs.50.91 lakh per annum.

50 and 71.87 percent unit-holders in Sindhudurg and Kolhapur districts respectively were making improvement in their unit and 7.14 and 18.75 percent unit-holders respectively were established their new branches.

Data regarding impact of loan on profit, loss and production conveys that in Sindhudurg district 21.43 and 42.86 percent and in Kolhapur district 35.42 and 63.54 percent unit-holders increased their production and profits respectively and 21.43 and 33.50 percent unit-holders respectively had expanding, diversifying and modernizing their unit.

The above analysis clearly indicates that MSFC has contributed towards growth and development of Sindhudurg and Kolhapur districts. Hence the hypothesis is found to be valid.

**Hypothesis-2**

MSFC is successful in carrying out its activity smoothly.

This hypothesis has been tested through a comparative analysis of the customer reaction for MSFC finance.

In Sindhudurg district 50 and 64.29 percent and in Kolhapur district 15.63 and 64.58 percent sample customers preferred financial assistance due to easy or simple loan procedure and quick sanctions of respectively. 57.14 percent customers each and 50, 38.54 and 23.96 percent customers in Sindhudurg and Kolhapur districts preferred due to quick disbursement of loan, duration of repayment, customer friendly services respectively. Due to low interest compared to other financial institutions, loan duration may be extended; easy documentation and good administration 21.43, 35.71, 28.57 and 35.71 customers respectively were in sindhudurg district and 15.63, 1.04 and 3.13 percent customers each had taken loan. Further 7.14 and 4.63
percent customers in Sindhudurg and Kolhapur districts respectively had taken finance due to different reasons in favour with MSFC.

The above analysis goes in favour of the hypothesis. Hence this hypothesis is accepted.

Hypothesis-3
Beneficiaries approaching to MSFC are facing various type of problem.

This hypothesis has been examined basing upon the problems being faced by industrial units.

As much as 42.86 and 19.79 percent units in Sindhudurg and Kolhapur district respectively had problems from Government policy. 21.43 percent units each in Sindhudurg district faced raw material, labour turnover and capital problem respectively. However 7.29 percent units faced raw material, 13.54 percent unit each faced labour and capital problem respectively in Kolhapur district. 7.14 and 2.08 percent units in Sindhudurg and Kolhapur districts faced problem of technical know-how. 78.57 and 48.96 percent units in Sindhudurg and Kolhapur districts respectively faced problem of non-cooperation from banks and 28.57 and 17.71 percent units respectively faced other problems.

In the foregoing analysis the performance and progress of sample units have been examined. An attempt is made here to enquire into problems confronted by the unit-holders, which have hindered the development of industrial units and therefore stood as obstacles to fostering industrial development. Despite several measures taken to strengthen units and protective umbrella provided by the policies and programmes of the Government, these industries have not been free from some intimidating problems, they very widely from industry to industry and have a profound impact on performance of industry. The fact that is emerging from the above analysis is supporting the hypothesis. Hence the hypothesis is accepted.
SUGGESTIONS

The overall study has justified the establishment of MSFC as the purveyor of credit to industrial sector. Its role as the development bank in the industrial sector has faced a few challenges before the bank could improve its financing policies so as to increase its allocative efficiency of the available scarce resources in accordance with the priorities of the planned development of the State. Keeping the facts in view, a few suggestions are offered for further development of MSFC and industry.

1) SFC is a Regional Development Bank in the country. The function of Regional Development Banks is to make a significant contribution to the industrial development of their respective State. But at present the performance of SFCs have not been good.

Keeping the above fact in view the following suggestion is hereby offered for operational efficiency of the SFCs for improving their performance.

At present there are too many agencies and financial institutions like SIDC, ICICI, DIC, SIDBI etc. In the context of liberalization and competitive economic environment, the existing set-up of SFCs are out dated. It should modernize, expand and diversify to make themselves more competitive.

2) In view of the fact that prospective loanees, find the application forms unwieldy and cumbersome. It is more time to review and many documents are required alongwith application form. It would be very helpful if the information is minimized and required only important documents. For the convenience of unit-holders, MSFC should design a common form of application.

3) MSFC has played a prominent role over the years in the expansion of industrial sector particularly in the backward and developing areas of the State of Maharashtra and Goa, Daman and Diu. But the performance of MSFC indicates the fluctuation in business during study period. It is in the light that performance of MSFC should impress upon management (1) to develop professionalization of management (2) to have management committee for day-to-day functions and Board of Directors committee takes follow-up
continuously (3) to have a suitable broad-based Board of Directors for building up policy perception and create self-regulating mechanism.

4) MSFC has in debate since its establishment. Till 1995-96 MSC was profit-making institution, thereafter it has been suffering losses due to many problems. In view of the fact, following measures are suggested for efficient functioning of MSFC in the State.

MSFC can be more influential in its role, if the Government of Maharashtra gives Rs.200 crore as subsidy to small-scale industries and Rs.100 crore as a share to MSFC, a drastic change and transparency in its functioning, penalty to the responsible persons in various scams. But the present economy of State Government, unstable psychology of political leaders has made it difficult to follow this remedy. Second alternative is to stop giving loans to industries and implementing stringent actions to recover the loans from the industries. But this is also not proper any way. If this is followed, needy industrialists cant start their business and subsequently there will be the loss of the development of Maharashtra State. Third suggestion is of privatization of MSFC, but it should be very effective with its transparent affair. So the only way in the present situation is the privatization of MSFC. This can be justified as the wave of privatization is running through out the country at all levels. MSFC should be restricted their area upto Maharashtra State only.

5) MSFC branch Sindhudurg provided finance to industries in Sindhudurg district under seven schemes. Whereas Kolhapur branch has implemented 15 schemes for finance to industries in Kolhapur district. MSFC introduced 34 financial schemes. Keeping in view the fact, it is suggested that, MSFC should provide finance to industries in both districts under all schemes.

6) Both branches provided maximum finance to engineering based and agro-based industries. It is suggested that MSFC should give equal shares of finance to all type of industries in both district and to motivate entrepreneurs for establishment of forest based
industries in Sindhudurg district, because there is ample scope for forest based industries.

7) It is observed that both branches have not covered the whole part of district for finance. Radhanagari, Gaganbawada and Shahuwadi tahsils in Kolhapur district and Vaibhavwadi tahsil in Sindhudurg district, were not financed by respective branch of MSFC. Keeping in view this fact it is suggested that MSFC should provide finance to all parts of the districts.

8) Besides MSFC financed industrial units in both districts substantially depended on other sources of finance. It is suggested that MSFC should provide finance as per needs and requirements of unit-holders.

9) MSFC has sanctioned and disbursed majority of loan taking more than one and half month. This is improper for industrial development so it is suggested to MSFC that, loan should be sanctioned within 15 days and disbursement also 15 days from the date of sanction at any condition. It is also suggested to unit-holders that, they should provide necessary documents in stipulated time and fulfil the terms and conditions required for loan procedures in time. Due to this, loan would be sanctioned and disbursed in time.

10) The rate of interest of MSFC was from 14 to 23 percent, which was much more. High rate of interest does adverse effect on profit. So MSFC should reduce the rate of interest upto 10 percent.

11) Repayment period was 4 to 9 years with 1 month to 2 years moratorium and it was counted from first disbursement. MSFC should count the repayment period from the date of last disbursement.

12) MSFC has mainly provided finance for purchase of fixed assets. It is suggested that, MSFC should provide finance for purchase of fixed assets as well as for working capital. It is also suggested that MSFC should provide term loan and working capital together.

13) Recession, old technology, new establishment, high rate of interest create burden on loan. Due to this unit-holders failed to pay
instalments in time, due to this loan account was overdue. Keeping this fact in mind, it is suggested, MSFC should understand sympathetically the position of borrowers and interest on overdue account needs to be reduced to avoid charge of penal interest. It is also suggested that MSFC should give concession to regular payment borrowers but should control the willful defaulters.

14) Recovery performance of both branches was declined and fluctuated during study period. So MSFC should provide loans to only good track record clients.

15) It is suggested to MSFC that, it should give equal treatment to all borrowers and avoid corruptions at the time of sanction and disbursement of loan.

16) Problems of industrial units are multi-dimensional. These can be solved by the coordinated efforts of entrepreneurs, the coordinated functioning of promotional agencies and Government assistance without red tape or bureaucratic delays. The entrepreneur should be educated; and he should have a proper training in acquiring the necessary skill in running a small enterprises. Besides efforts of financial institutions, the level of development in the field of industrialization has not been upto the mark. This is so because there are many problems, which hamper or come in the way of industrial development.

Keeping these facts in the mind, the researcher suggests that the industrialist should be taken following steps for minimizing these problems.

1) A continuous study is essential to analyze the factors responsible for labour turnover and steps may be taken against those particular factors.

2) It should motivate the workers to participate in management.

3) Government should supply adequate quantity of raw material and technical assistance in the form of systematic techniques, standardization and improved design.

4) Finally suggested to Government that, Government should make policy in favour of industrial development. The policy should be
beneficial to all aspiring industrialists right from lower to higher level, so that there would be equal social development.

**Scope for further Researcher**

The present study is "The role of Maharashtra State Financial Corporation in industrial development: a comparative study of Sindhudurg and Kolhapur districts." Every attempt has been made to make the study a comprehensive one. However, the limitation of time, resources and availability of data has created certain deficiencies in the study leaving a scope for further extension. Some of the areas that need further study are:

1) A Comparative Study of Sick units in Sindhudurg and Kolhapur districts: A Special reference to Maharashtra State Financial Corporation

2) A Study of the Impact of Finance on Industries in Sindhudurg and Kolhapur districts Financed by Maharashtra State Financial Corporation

3) A Study of Problems and Prospectus of State Financial Corporations with Special reference to Maharashtra State Financial Corporation

4) Study the Problems and Prospectus of Government Financial Institutions with Special reference to Maharashtra State Financial Corporation