CHAPTER 3

KARNATAKA STATE FINANCIAL CORPORATION

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CHAPTER 3

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A PROFILE

The development of entrepreneurship is depending upon the policies, programmes / approach of the government. The government can discharge its entrepreneurship development role through providing financial assistance and by undertaking various promotional activities. These are categorised as indirect approach and direct approach to entrepreneurship development as mentioned in the last chapter. The present chapter throws light on origin of KSFC, organisation structure, financial incentives provided by KSFC, terms and conditions and promotional and developmental efforts of KSFC in the development of entrepreneurship.

ORIGIN OF KSFC

The financial institutions have a very important role to play in determining the structure of industry, ownership pattern of capital and dispersal of industries and subsequent benefit of industrial development. For this, financial institutions need to be established both at all India level and state level. To enable this, various Industrial Policy Resolutions have been passed, which have a number of provisions under which the Government can give financial assistance to small, medium and large scale industries. An Act called SFCs Act was passed in the year 1951 for industrial entrepreneurship in all the states of India, leading to the success of the Industrial
Policy Resolutions. This Act provides provision for all State Governments to give industrial credit. Prior to the enactment of this Act, the governments' were directly providing loans to start industries or for the expansion/modernisation of the existing units and to undertake various entrepreneurship development activities. However, this method was not effective and an alternative method which could dispense credit to industries followed by entrepreneurship development in the country expeditiously was imperative.

Karnataka State Financial Corporation (KSFC) was established in the year 1959 (and it was known as Mysore State Financial Corporation prior to 1972) under the State Financial Corporations Act, 1951 for promoting industrial entrepreneurship in the small and medium sectors in the State of Karnataka. Since its inception in 1959 till March 1998, KSFC has assisted 1,40,705 units in the State to the extent of Rs. 5,085.36 crores.¹

OBJECTIVES OF KSFC

KSFC was established with the basic objective of promoting industrial development in Karnataka which has a high potential for industrial growth and which is endowed with abundant natural resources. KSFC was expected to give particular emphasis on small and medium scale industries keeping in line with IDBI and other specialised financial agencies of the Government. It was felt that no important industrial project should perish due to lack of timely and adequate finance.

The corporation pursues the following broad objectives.

1. To provide financial assistance in the form of term loans to tiny sectors, SSIs, ancillary industries and medium scale industries in Karnataka.
2. To encourage the dispersal of industries to backward areas and to provide inducement to industries to move away from the areas of high concentration to achieve balanced industrialisation in the state.

3. To accord preference to local entrepreneurs.

4. To extend special concessions to entrepreneurs belonging to schedule caste, schedule tribe, women, minority community, physically handicapped and Ex-servicemen.

5. To introduce office automation in every office of the corporation with a view of enhancing efficiency and speed of operations.

6. To increase its share of financial assistance to tiny, small scale and ancillary industries including transport sector with a view of providing more employment opportunities.

7. To diversify its business including the following new areas of operation.
   a. Equipment leasing in the form of short term and medium term financing.
   b. Providing working capital assistance to assisted units.
   c. Extending financial support to R&D activities.
   d. Hire purchase assistance to the qualified.
   e. Factoring.

8. To undertake various EDPs and EAPs, entrepreneurs' meet etc.

**Special Incentives of KSFC**

KSFC extends lease financial assistance and hire purchase assistance for acquisition of machinery/equipments/transport vehicles. It has a Merchant Banking Department and it is approved as a category I merchant banker by the Security
Exchange Board of India (SEBI). This department takes up the management of public issues, underwriting of shares, project report preparation, deferred payment guarantee, syndication of loans etc. The fund based activities like bill discounting, investment in shares, subscription to the non-convertible debentures, factoring services are also considered.

KSFC gives preference to the projects which are:

(a) promoted by technician entrepreneurs,
(b) in the small scale sector,
(c) located in growth centres and developing areas of the state,
(d) promoted by entrepreneurs belonging to scheduled caste and scheduled tribe, backward class entrepreneurs and other weaker sections of the society,
(e) having high employment potential,
(f) capable of utilisation of local resources and
(g) in tune with the declared national priorities.

ORGANISATION STRUCTURE

The KSFC functions as an autonomous body under the supervision and guidance of a board of directors consisting of 12 members including a chairman and a managing director, assisted by an executive committee. The Board consists of representatives of the Government of Karnataka, the RBI, the IDBI, commercial and co-operative banks, insurance companies, financial institutions and other shareholders (as per section 10 of the SFCs Act). The management of day-to-day activities of the corporation is looked after by the Managing Director who is the Chief Executive.
The corporation has its Head Office in Bangalore. Under this head office there are seven zonal offices situated at selected district head quarters (except Hubli zone office) in the State of Karnataka. Under these zonal offices, there are three types of branch offices. They are; (1) Grade 'A' branch offices. (2) Grade 'B' branch offices and (3) Field offices. They are situated in selected towns and districts spread all over the state of Karnataka.

1. **Head Office**: The Head Office is situated in Bangalore, the capital city of Karnataka. The function of the head office is overall planning, direction and control of activities of the zonal offices and branches. It is concerned with final accounts, investments, personnel, system, audit, general administration, management services, corporate planning etc.

2. **Zonal Offices**: There are seven zonal offices in the state headed by Deputy General Managers (DGM). They operate under the control of Head Office. The primary function of this office is to see development of business and its administration including supervision of branches in its jurisdiction. The zonal managers have got the power to sanction loans upto Rs. 25 lakhs. Under SLAC* they

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* **SLAC**: Small Loan Advisory Committee is a committee headed by Deputy General Manager at respective zonal office. The Assistant General Manager at respective branch office, the Joint Director of District Industries Centre and the Manager of the Lead Bank are the other members of this committee. The Appraisal Officer of KSFC will be the convener. The SLAC will hold the meeting once in a month. It has power to sanction (the loan for the first time to an entrepreneur but not subsequent loans) loans between Rs. 8 Lakhs and Rs. 25 lakhs.
will also have the power to set the target for branch offices with regard to sanctions, disbursements and recoveries.

3. **Branch Offices**: There are three types of branch offices.

   (a) **Grade 'A' Branch Offices**

   There are 16 such branch offices spread over the state of Karnataka operating under the respective zonal offices. Assistant General Manager (AGM) is its chief. The AGM has got power to sanction loans between Rs.5,000/- and Rs. 8 lakhs. He will also assist in sanctioning loans beyond the above limit by zonal offices.

   (b) **Grade 'B' Branch Offices**

   There are 18 such branch offices in the state. They operate under the control of DGM of respective zonal offices. They are headed by a manager. He will also assist the respective DGM of zonal offices in sanctioning, disbursement and recovery.

   (c) **Field Offices**

   The field offices operate under the control of branch offices. Here Deputy Manager (DM) is the head. There are four such field offices in the State. The Deputy Manager has no power to sanction the loan independently. His job is to assist the branch office in sanctioning loan, disbursement of loans to the entrepreneurs and its recovery. He is also expected to do the job of plant visit, certification, seizure of units, issuing of legal notices sent by the branch to the defaulters, making arrangements for conducting EAPs/EAPs, liaison with local statutory and NGOs etc. The organisational structure of KSFC is given in Appendix II.
FINANCE FROM KSFC-TERMS AND CONDITIONS

1. Types of Assistance

KSFC offers long term and medium term financial assistance in the following fashion;

1. Loans and advances with a liberal repayment period (normally upto 8 years) including moratorium.
2. Loans in collaboration with other financial institutions.
3. Subscription to share capital of companies promoted by small entrepreneurs (special capital scheme) by way of soft loan.
4. Bridge Loan.

2. Limit of Accommodation

The corporation assists to the tune of Rs.240 lakhs (formerly it was Rs. 90 lakhs and Rs.150 lakhs) in the case of registered co-operative societies and companies (whether private or public limited), and Rs.90 lakhs in other cases like proprietary or partnership concerns or Joint Hindu Family firms. This excludes the soft loan, seed capital, bridge loan against subsidy.

Usually, the corporation has a maximum limit of sanctioning Rs. 240 lakhs. (formerly Rs. 150 lakhs). But sometimes it can finance upto Rs.10 crores (formerly Rs. 5 crores) independently or jointly with other financial institutions, such as IDBI, SIDBI and jointly with KSSIDC or Bank wherever necessary under the EXPOSURE POLICY.
Exposure policy is a policy of KSFC which aims at providing finance jointly with KSSIDC and bank to a group of companies which are under same management.

3. Additional Loan Facility

The corporation also considers applications for additional loan facility to already financed projects in their expansion, modernisation, diversification, meeting cost escalation etc., provided such assistance is justified in terms of profitability and its technical feasibility.

4. Areas of Operation

Industries established or proposed to be established in the State of Karnataka are eligible for assistance from the corporation. An industrial concern incorporated outside the state is also eligible for assistance, provided it shifts its registered office to the State of Karnataka.

5. Purpose of Assistance

It provides financial assistance to existing industrial concerns for expansion or renovation or modernisation or diversification in any line of manufacture and for new projects. It will also assist in the rehabilitation of sick units. It provides assistance for the acquisition of capital assets in the form of land, buildings and plant and machinery.

6. Industrial Concerns Eligible for Assistance

KSFC provides financial assistance to industrial concerns as defined under SFC's Act, 1951. Accordingly assistance from the corporation is available to the industrial concerns engaged or to be engaged in different types of activities. The
details about the same is given in the ensuing pages under the heading SCHEMES FOR ENTREPRENEURS.

7. Concerns Ineligible for Assistance

The corporation will not assist the concerns engaged in trading activity and in which directors of the corporation or their relatives have any interest.

8. Financial Security

No financial institution can survive if adequate security is not obtained before disbursing the loan. Similarly, KSFC does not advance any unsecured loans. Security for the loan will usually be the land and building, plant and machinery acquired/proposed to be acquired out of the loan. In places where stamp duty exemption is available, land, buildings, plant and machinery will be got secured by a registered mortgage deed. In other places land and buildings will be got secured by equitable mortgage by deposit of title deeds for the entire loan amount earmarked towards land and building and hypothecation of plant and machinery. In such cases 0.1 per cent will have to be paid as legal charges. Collateral security is obtained in the case of transport loans and in certain other circumstances.

9. Security Margin

The security margin is the difference between the value of the assets offered as security and the amount of loan sanctioned against the secured asset.

The security margin charged by the corporation varies from 10% in the case of technicians, modernisation, computerisation, and D.G. set scheme to 40% in case of scheme for industrial estates and hotel industry in Bangalore metropolitan area.
Relaxations are, however, made in case of small scale industries coming up in backward areas of the state. Similarly, no security margin is prescribed on the loans (Upto Rs. 50,000) to units promoted by SC/ST and physically handicapped entrepreneurs and assistance under National Equity Fund Scheme.

10. Rates of Interest

The rate of interest charged by the corporation on the loan varies depending on the location of the unit, size of loan, the type industry, and special concessions are available to certain categories of entrepreneurs. The rate of interest ranges from 11.5% p.a. to 20% p.a. (w.e.f. 1.9.1997). However, concessional rate is charged with respect to units located in industrially backward districts. The rate of interest is reduced by 1% p.a. in respect of loans sanctioned to SC/ST and backward community entrepreneurs except for term loan under ISO 9000 schemes, national equity fund scheme and soft loan facility/special capital scheme.

In case of default 2.5% penalty will be levied for the period and amount in default. However, such penal interest will not be levied on loans upto Rs. 50,000 granted to SC/ST entrepreneurs, physically handicapped and on composite loans to artisans, village/cottage and tiny units.

11. Procedure to Procure Financial Assistance

The procedural way to KSFC's financial assistance is explained in the following paragraphs.
a) Application forms

The entrepreneur who is in need of financial assistance shall give an application in the form prescribed by the corporation. The application form can be collected from the corporation by paying the prescribed fee by way of demand draft drawn in favour of corporation or by cash.

b) Application processing fee

The entrepreneur in need of assistance have to pay the processing fees amounting to Rs. 100 on the loans between Rs. 10,000 and Rs. 40,000. Loans above Rs. 40,000 and upto Rs. 2,00,000 carry fees at the rate of 0.25% of loan amount and loan above Rs. 2,00,000 carries fees at the rate of 0.50% of the loan amount.

No fee is charged for soft/seed capital loans. However, processing fees will be collected for bridge loans against state subsidy at the above rates.

c) Check list

To avail himself of the assistance, the entrepreneur has to submit some documents/information in TRIPLICATE including ORIGINALS. Some of them are as follows.

1) Permission/Approval/Licence from the concerned authorities.
2) Information regarding the financial status.
3) Project report.
4) Bio-data of the applicant.
5) A temporary registration certificate issued by the office of Industries and Commerce (In case of SSIs).
6) Allotment letter (In case land is allotted by the Government).

7) No objection certificate from local authorities.

8) In case the land has been allotted by KIADB/BDA/KSSIDC, then:
   
   a) Allotment letter,
   b) Acquisition Certificate,
   c) Duplicate of rent or sales certificate,
   d) Possession and encumbrance certificate and,
   e) Plan of site, which is given as security.

12. Commitment Charges

If the loanee concern fails to complete all the formalities regarding drawal of money and draw the instalments according to the schedule of draw prescribed at the time of sanction, a commitment charge at 1% will be levied on the undrawn amount. This rate is reduced to 0.5% on rupee loans in respect of projects coming up in industrially backward districts. In the event of failure to draw any part of the loan within 6 months from the date of communication of sanction, the loan is liable to be cancelled. If the loan amount exceeds Rs.2 lakhs then 1/2 per cent up-front fee will be levied.

13. Promoter's Minimum Contribution

KSFC will not provide entire financial requirement of any entrepreneur. He is expected to collar certain portion of the cost of the proposed project. The promoter's minimum contribution is shown in the ensuing Table. 3.1.
TABLE 3.1

TABLE SHOWING THE PROMOTER'S MINIMUM CONTRIBUTION

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>Promoter's Minimum Contribution (In %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Units situated in category A and B districts/regions</td>
<td>17.50</td>
</tr>
<tr>
<td>2</td>
<td>Units situated in category C districts</td>
<td>20.00</td>
</tr>
<tr>
<td>3</td>
<td>Units situated in non-backward areas</td>
<td>22.50</td>
</tr>
<tr>
<td>4</td>
<td>SRTOs including one to six vehicle owners</td>
<td>15.00</td>
</tr>
<tr>
<td>5</td>
<td>Co-operatives and companies of Ex-servicemen</td>
<td>10.00</td>
</tr>
<tr>
<td>6</td>
<td>Projects setup by women entrepreneurs (irrespective of the location)</td>
<td>15.00</td>
</tr>
<tr>
<td></td>
<td>except the assistance under Mahila Udyama Nidhi Scheme.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Karnataka State Financial Corporation - A booklet

Note: The scheme-wise rate applicable is given under each scheme.

14. Recall of Loan Amount

The corporation will recall the entire loan amount in the following cases.

1. Misuse of funds.
3. Proved misrepresentation for obtaining loan assistance.
4. Undue delay in implementation of the project.
5. A deliberate default in repayment of dues.
6. Act of loanee which is harmful to the interest of the corporation or the state.
7. Failure to properly maintain and safeguard the secured property.
8. Breach of the agreement entered into at the time of sanction of loan.
15. Disbursement of Loan

Loans upto Rs.25 lakhs will be disbursed at the concerned branch office where the loan is sanctioned. Loan in excess of Rs. 25 lakhs sanctioned by head office will be disbursed at the concerned branch office.

The promoter can draw the amount only after satisfying the First Investment Clause, submission of income tax clearance certificate, approved building plans, power sanction letter, working capital sanction letter and clearance of legal department of the corporation and other requirements as applicable in each case.

16. Release of Loan Amount

Loan amounts are released either in lumpsum or in instalments so as to coincide with the commitments for acquisition of fixed assets as per the conditions laid down while sanctioning the loan. As far as the machinery is concerned the loan is released to the suppliers of machine against their invoices in proportion to the loan sanctioned towards machinery. The releases are made only after the execution of the security documents in favour of the corporation.

17. Repayment of Loan

Repayment of loan advanced is generally spread over a period of 5-8 years. Amortisation period of loan (i.e., period of repayment) and the number of instalments are based on estimated cash generation and profitability in the proposed industry. A moratorium ranging from 4 months to 3 years is allowed from the date of first release of the loan amount. During this period only interest is to be paid quarterly.
Instalments are fixed and the repayment schedule is drawn up depending on the requirements and nature of each case.

Moratorium period means time gap between the date of disbursement of loan and the date of the commencement of repayment of loan. If the balance amount of loan (after a few instalments) is paid at a stretch prior to the due date, the interest would be proportionately reduced.

18. Assistance to Special Types of Industries

Certain activities, though they cannot be categorised as industries literally, are eligible for assistance from the corporation. They are hotels & restaurants, industrial estates, transport vehicles (not more than 6 vehicles), small hospitals and nursing homes, medical equipments required by hospitals and doctors, amusement parks, weigh bridges, fishing vessels etc.

19. Recovery Procedure / Strategy

The KSFC follows the under mentioned ways with regard to the recovery of the dues of the entrepreneurs.

1. The officials of KSFC visit the project site to know what is exactly taking place in the loanee industry (that are in red), so that they can help those industries in overcoming their problems,

2. KSFC officers discuss with the banker of the entrepreneur if any pari-passu or second charge is involved (i.e. excess borrowing is made),

3. The corporation will make frequent correspondence with defaulting unit so that urgent correction measures can be adopted,
4. Review meetings with the concerned persons or organisations or be held,

5. The phase of implementation of project is verified regularly,

6. Frequent study of financial statements,

7. Repayment position verified regularly,

8. The corporation will get information about other projects so as to make comparative study,

9. Precaution is also one of the measures so that it clearly spells out the reason for delay in repayment. KSFC officers strive to convince the promoters regarding timely statement of dues,

10. Finally, the default review meeting is held to decide as to recalling loan given and/or to issue legal notice to promoters/entrepreneurs.

Apart from the above strategies some of the statutory rights to enforce the claims of corporation are as follows:

1. The corporation has the right to take over management or unit or both as per section 29 of the SFCs Act.³

2. As per section 31 of the SFCs Act, the corporation can enforce its claims against the property mortgaged/hypothecated in favour of the corporation either by the borrower or by surety/co-obligant.⁴

3. The KSFC can enforce its claims under section 3 of KPM(R) Act of 1979.⁵

4. It has right to sell under certain circumstances as contained in section 69 of the Transfer of property Act of 1882. When this takes place, the court cannot intervene.⁶
SCHEMES FOR ENTREPRENEURS

Sharing of economic opportunity on the widest possible base is a national objective besides being a social necessity. Entrepreneurship in our country has been in existence in one form or the other and it is being practiced by a section of the society from time immemorial. A large portion of our population, is outside the ken of industrial ownership. It faces the problem of proper training, finance supply, favourable environment for entrepreneurship development etc. To overcome this, the KSFC offers a versatile range of schemes to the existing and potential industrial entrepreneurs. It has also designed, various non-financial entrepreneurship development programmes and doing ED activities to foster entrepreneurship in the state.

A detailed note of variegated schemes offered by the corporation have been explained in the following pages.

1. Technician's Scheme

The Technician's scheme is meant to attract technocrats and professionals in various disciplines who are working in many responsible positions in manufacturing, commercial, financial and business undertakings and who are intending to setup viable non-traditional industrial projects. This scheme also enables technocrat entrepreneurs to join hands with professional entrepreneurs, so that pooled expertise would contribute considerably to the success of the project.

The promoters who want to avail themselves of assistance under this scheme should either be technocrats or professionals. Professionals include persons having post diploma/graduate professional qualifications of any recognised or statutory
professional bodies and institutions. The beneficiaries under this scheme should have served at least for a period of 5 years in a reputed industrial, financial or commercial undertakings in responsible positions. In case of partnership firm all the partners should either be technocrats or professionals and the majority of the partners should be of age group between 25-45 years (Relaxable upto 50 years in the case of persons with outstanding R&D Experience). This scheme is preferably applicable to small industries who are interested in introducing latest production techniques.

The financial assistance upto a maximum of Rs. 7.50 lakhs is granted for the following purposes under this scheme.

a) Acquisition of industrial land.

b) Industrial sheds together with water, sanitary and electrical services.

c) Buildings required for the industry.

d) Plant and Machinery including the erection and commissioning expenses pertaining to production activity.

The promoter is required to contribute 17.5% of the project cost. The margin of security is relaxable upto 10% depending on the merits of each case.

However, following types of industries are not eligible for the assistance under this scheme.

a) Traditional industries such as rice and oil mills, cotton ginning and pressing mills, hand and power looms.

b) Hotel industry.

c) Industrial estates.

d) Transport of goods or passengers.
2. Scheme for Educated Unemployed Youths

The main objective of this scheme is to encourage qualified and trained unemployed youth to take up small and tiny industrial projects towards their self-employment. The applicant should have passed SSLC and he should have completed the following.

a) Industrial management training conducted by the small industries services institute.

b) Special training course on a specific industry conducted by a specialised institute of the state Government.

c) Apprentice courses as per government schemes and regulations.

d) Training by any specialised training institution recognised by KSFC.

e) Long term entrepreneurial development programmes conducted by the government and other agencies in the State.

The applicant should have experience in the proposed industry for at least one year and he should be between 20 and 40 years of age. The maximum assistance has been limited to Rs.20 lakhs for acquisition of fixed assets such as land and building, plant and machinery. Moreover, the corporation will have primary hold or charge on all tangible assets proposed to be acquired out of loan amount through hypothecation or mortgage of such assets. The personal guarantee and collateral security is insisted upon wherever essential. The promoter is expected to contribute 17.5% of the project cost.

The margin of security is relaxable upto 10% depending upon the case. The repayment period is between 6 and 8 years with a moratorium period upto 2 years.
3. Composite Loan Scheme

This scheme is designed to meet the complete financial requirements for equipment and working capital of the artisans, village and cottage industries. This scheme prevents the entrepreneurs from approaching different financial institutions for assistance. The scheme is applicable to SSIs and village industries situated in village and town having a population not exceeding 5 lakhs and the original investment in plant and machinery should be less than Rs. 1 lakh.

The maximum amount of loan that can be granted under this scheme is Rs. 50,000 which includes both equipment finance and working capital. The working capital should not exceed 50% of loan amount.

The important feature of this scheme is that no penal interest will be charged on the entrepreneurs for their failures/lapses due to reasons beyond their control. The loan sanctioned under this scheme will be under zero margin.

The working capital will released after acquisition of fixed assets through the bank designed for the purpose. If any subsidy is receivable from agencies such as SC/ST and BC Development Corporation towards the intended activity, then the loan sanctioned will be reduced by the amount equivalent to the subsidy receivable.

The loan repayment period and moratorium period will be assessed depending on cash generation. The repayment period is normally between 6 and 8 years, with a moratorium period of one year.
4. Scheme for Disabled Entrepreneurs

KSFC is extending financial assistance to physically disabled persons. Deaf, blind, dumb and orthopaedically handicapped entrepreneurs are eligible to avail themselves of financial assistance up to a maximum of Rs. 50,000. The Government of Karnataka is providing 25% subsidy as seed money. However, subsidy is available to loans up to Rs.25,000 only. The loan amount includes both the cost of plant and machinery and working capital. The promoter is not required to contribute any amount under this scheme and security margin is nil.

The repayment and moratorium periods will be assessed depending on the cash generation. The repayment period is normally between 5-8 years, with a moratorium period ranging from 1 to 2 years.

5. Finance for Hotel and Tourism Industry

Tourism is a major source of foreign exchange in our economy. The hotel industry provides basic infrastructure for the promotion of tourism.

Under this scheme, assistance is extended to both the established and new hotels catering to the needs of tourists in acquiring assets like land, building and equipment. Loans will not be sanctioned for working capital or the repayment of loans.

The minimum financial assistance for hotel projects is Rs.2 lakhs in the case of new hotels and Rs.1 lakh for existing ones. The maximum financial assistance provided to this industry is Rs.90 lakhs. Loan repayment is generally spread over a
period of 6 years with a moratorium of 12 to 24 months. This loan carries interest at 17.5% per annum.

6. Scheme for the Development of Industrial Estates

The basic infrastructure for small industrial units is provided by industrial estates. They form the backbone of any economy. KSFC recognises the role played by industrial estates and it provides financial assistance for the development of industrial estates. The following conditions are to be met by those who want to avail themselves of the assistance under this scheme.

a) There should be adequate demand and scope for expansion at a later stage.
b) The construction cost should ensure that the rent charged is reasonable.
c) Basic facilities like roads, power, water, drainage as required by the occupants of the sheds, must be ensured.
d) A minimum of three sheds should be constructed.
e) In the case of companies and co-operative societies promoting industrial estates, it is desirable that all the buyers of sheds become shareholders of the company or society.

The promoter is required to contribute 22.5% of the project cost and a security margin of 40% is maintained by the corporation. The loan carries interest at the rate of 17.5% per annum. The repayment is spread over a period of 6 to 8 years with a moratorium period up to 2 years.
7. Modernisation Scheme

Under this scheme, financial assistance is provided for the modernisation of tiny units, small scale industries including ancillary units and medium units which are already in existence for at least 5 years. Modernisation may include replacement or renovation of plant and machinery, additional equipments purchased for fuller utilisation of installed capacity.

To have this assistance, following eligibility criteria are laid down by the corporation.

1. The unit may be engaged in upgrading its process, technology or product.
2. It may be an export oriented unit or it may be producing items for import substitution.
3. It may install machinery for energy saving or for controlling pollution or for the conservation or substitution of raw material and other inputs, including recycling and recovery of wastes and bye-products.
4. It may be looking for improvements in capacity utilisation within the existing capacity by higher productivity.
5. It could be improving its material handling.

Since the assistance under this scheme will be need based, there will be no minimum limit for assistance, but the maximum limit is Rs. 90 lakhs. The promoter is required to contribute 10% of the cost of modernisation which could also be internal generation during the period when the project is implemented; but no security margin is insisted upon. The repayment period is 8 years with a moratorium of 6 months to 2 years.
8. Equipment Finance Scheme

This scheme is designed by KSFC for providing quick finance under a simplified procedure to well established small and medium scale industries to acquire original/new equipment/capital goods both indigenous and imported. Under this scheme, term loan assistance is given to existing industrial units with good performance record for expansion, diversification, modernisation, balancing etc. The unit should be in existence for atleast 4 years and it should be regular in its repayment to financial institutions. Such units should have made cash/divisible profits in the preceeding two years. The promoter is required to contribute 20% to 22.50% of the cost.

The loan carries interest at the rate of 17% per annum. The repayment period is normally 5 years, with a moratorium period of 6 to 12 months. The loan should be utilised by the loanees within six months from the date of sanction.

9. Finance to Electro-Medical Equipments

The corporation acknowledges the growing importance of electro-medical equipments in the world of medicine and it offers financial assistance for acquiring CT scanners, endoscopy, gastroscopy, X-ray and other electro-medical equipments required by medical practioners and hospitals. This scheme is introduced with a view to create special facilities in the semi urban and rural areas, where there is a dearth of qualified medical practioners and sophisticated equipments.

The medical practitioners with relevant qualification in general medicine, dentistry, radiology etc are eligible for assistance. Assistance is also available for
private hospitals. The maximum assistance under this scheme is Rs.90 lakhs to proprietary concerns and partnership firms and Rs.150 lakhs to private and public companies. A minimum margin in between 25% to 30% will be retained by the corporation. The loan carries interest at the rate of 17.5% p.a. The loan repayment period is from 6 to 8 years, with a moratorium period up to 2 years.

10. Finance to Hospitals and Nursing Homes

The corporation gives a shot in the arm to the medical industry by extending term loans for setting up of small hospitals and nursing homes through a special scheme.

Under this scheme, financial assistance upto Rs.150 lakhs for hospitals and nursing homes promoted by private and public limited companies and Rs.90 lakhs for those promoted by proprietary and partnership concerns or trusts is provided. The assistance is available for land, building, and equipment for diagnosis, monitoring and therapeutic use and air conditioners (for operation theatres and intensive care units), ambulances etc. Only 75% the cost of the above assets is given as assistance with a security margin of 25%. The loan carries interest at the rate of 17.5% per annum. The loan repayment period is 8 years including moratorium of up to 2 years.

11. National Equity Fund Scheme

The KSFC provides equity type support to the small entrepreneurs for establishing new projects in the tiny and small scale sector and rehabilitation of potentially viable sick units in the SSI sector. The project cost (including working capital margin) should not exceed Rs.10 lakhs. The maximum assistance that is available under this scheme is 15% of the project cost, subject to a ceiling limit of
Rs. 1,50,000 per project. No security margin is insisted upon. The promoter is required to contribute 10% of the project cost (including normal working capital margin). Service charge at the rate of 1% per annum is payable as interest on the equity assistance by the entrepreneurs. The repayment is to be made in 6 to 8 years with a moratorium of 3 years.

12. Finance to Ex-Servicemen

Under this scheme, the corporation assists Ex-servicemen for their resettlement by enabling them to set up small industrial projects for self-employment. Ex-Servicemen, widows of ex-servicemen and disabled persons below 60 years of age and those who have undergone EDP training (optional) will be eligible for assistance under this scheme. The maximum assistance that can be given is Rs. 11.50 lakhs per project. The promoter is required to contribute 10% of the project cost. The term loan will be repayable within a period of 10 years including a moratorium of 2 years. Transport loans will be repayable in 5 years, including a moratorium of 4 months.

13. Scheme for Transport Industry

The corporation considers financial accommodation to transport operators in recognition of the vital role of transport in the promotion of industry and tourism. Under this scheme, entrepreneurs can avail themselves of loans to acquire vehicles like lorries, mini trucks, tippers, tempos, taxis, vans, auto-rickshaws, cars, cargo vessels and buses (stage carriers). Barges and ropeways for transporting goods and passengers are also eligible for loan.

The corporation offers two types of loan schemes for this industry.
a) Single Vehicle Operator Scheme (SVO)

Under this scheme, financial assistance is provided for a maximum of two vehicles only to an entrepreneur.

b) Small Road Transport Operator Scheme (SRTO)

Under this scheme, loan is given only if the entrepreneur acquires two to six transport vehicles.

In both of the above schemes, the costs of chassis and body building are included in the cost of the vehicle. The security margin of 20% for the SVO and 25% for SRTO scheme is maintained.

The entrepreneur is required to repay the loan in 50 equal monthly instalments. The repayment will commence 4 to 6 months after the first instalment of the disbursement of the loan. However, the owners of cargo vessels are required to repay only in 8 monthly instalments in a year, excluding monsoon months.

The eligibility criteria to get this facility are as follows.

1. The applicant must have experience in the transport industry.
2. Applicants with regular transport contracts or inter-state permits will be given preference.
3. The vehicle proposed to be purchased should be registered as a public carrier with the concerned RTO in Karnataka.
4. If the loan is for stage carriers, applicant must possess route permits.
14. Finance to Quality Control Equipments

Under this scheme, loan assistance is available to SSI units, new and existing for acquiring quality control equipments. Loans are also available for small and medium scale units to acquire instruments for energy audit and monitoring energy consumption. These equipments should provide facilities comprising of testing and quality evaluation of all raw materials, other inputs and finished products. In the case of new projects, both the normal component of term loan and loan for testing and quality control components will be covered.

The maximum amount of loan that can be provided under this scheme is Rs.7.50 lakhs per project with a promoter's contribution of 25% of the project cost. The loan is repayable within a period of 6 to 8 years with a moratorium period of up to 3 years.

15. Finance for Generators

Small and medium scale industrial units intending to manufacture power for their captive use are eligible to obtain term loan from the corporation for acquiring diesel generators. Diesel generators established by a group of SSI units or medium scale units for their captive and collective use are also eligible for assistance. The maximum assistance under this scheme is Rs.90 lakhs. The corporation insists on 10% security margin. The repayment period is between 6 to 8 years with a moratorium period of 2 years.
16. Computer Loan Scheme

With a view to supplementing the effort of improving the productivity and operational efficiency, the KSFC is financing for acquisition of computers (including accessories like printers and to install software) upto Rs. 5 lakhs per unit. All industrial units in the SSI sector are eligible for assistance under this scheme. It is applicable to computers for production and office automation. Assistance, under this scheme, is also available to small hotels, hospitals and nursing homes and tourism related activities with project cost not exceeding Rs. 45 lakhs. The promoter is required to contribute 10% of the project cost and a security margin of 10% is insisted upon. The loan repayment period is 5 years with a moratorium period of 6 months.

17. Mahila Udyam Nidhi Scheme

For years Indian women have displayed remarkable entrepreneurial skills, managing experience and mobilising in a way a prudent men entrepreneur would. This scheme is designed by KSFC to promote women entrepreneurs in the state.

Under this scheme, new industrial projects with project cost upto Rs. 10 lakhs to be set up in the SSI sector by first generation entrepreneurs are eligible for assistance. Women entrepreneurs who want to avail themselves of term loan assistance under this scheme should possess necessary managerial and/or technical skills to run the new unit and they should be the active chief promoters of the proposed new unit. Women who are inactive partners in existing units holding not more than 25% of the equity can be treated as first generation entrepreneurs for the purpose of setting up their own units.
Promoter's minimum contribution is as low as 10% of the project cost. Seed capital assistance amounting to 15% of the project cost at a service charge of 1% is available by way of soft loan to meet the gap in equity after taking into account the promoters contribution. The loan repayment period is spread over a period of 5 to 8 years with a moratorium of upto 2 years.

18. Assistance for Maintenance, Development and Construction of Roads

KSFC offers an innovative scheme under which it provides financial assistance upto Rs.90 lakhs for acquiring capital goods and equipment required for the development, repair, maintenance and construction of roads. The assistance under this scheme is given subject to the following conditions.

1. The borrower must be engaged in the said line for atleast 3 years.
2. They should have earned profits in the preceeding 2 years and they should not have committed any default to bank or financial institution.
3. They should be registered bodies with a government agency.

The borrower has to give collateral security of 30% of the term loan in addition to primary security. The repayment period is spread over 5 years including a moratorium period of 12 to 18 months.

19. Assistance to Qualified Professionals

Under this scheme, financial assistance is available to qualified professionals in management, accountancy, medicine, architecture, engineering, law etc, for acquiring fixed assets required to set up their own professional practice, business enterprise and consultancy services in their line of expertise. The assistance is extended to the partnership concerns, only if all the partners are qualified
professionals and at least 50% of them have the requisite experience. Both new and existing practising professionals are eligible for assistance under this scheme. The promoter is required to contribute 25% of the project cost. The loan repayment period is spread over 5 years, with a moratorium period of up to 1 year.

The interest structure of the above schemes (from Scheme Serial No. 13 to 19) is shown in the below Table 3.2.

**TABLE 3.2**

<table>
<thead>
<tr>
<th>Loan Amount (In Rs.)</th>
<th>Rate of Interest (In %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto Rs. 25,000</td>
<td>12.5</td>
</tr>
<tr>
<td>Rs. 25,000 to Rs. 2,00,000</td>
<td>14.5</td>
</tr>
<tr>
<td>Above Rs. 2,00,000</td>
<td>17.5</td>
</tr>
</tbody>
</table>

**Source:** Scheme-wise Brochures

20. **Single Window Scheme**

This is a novel scheme introduced by the KSFC on 15th August 1988. This scheme has been formulated with the prime objective of providing term loan as well as working capital finance simultaneously to the new tiny and small scale units through a single agency. This scheme will ensure availability of adequate working capital for tiny and small scale units initially and to facilitate commencement of production soon after the completion of the project.
New tiny and small scale industrial units whose project cost (excluding working capital margin) does not exceed Rs. 35 lakhs and the working capital requirement at the normal level of operation is upto Rs. 15 lakhs are eligible for assistance under this scheme. Normally 75% of the requirement is considered for assistance. A minimum of 25% security margin is insisted upon. In case of technician entrepreneurs, the security margin is relaxable upto 10% depending on the merits of each case. In addition to the above a collateral security in the form of fixed deposit with the corporation equal to 30% to 50% of the working capital loan sanctioned has to be offered.

The interest structure on this assistance is as follows.

**TABLE 3.3**

**LOAN AMOUNT AND RATE OF INTEREST**

<table>
<thead>
<tr>
<th>Loan amount (In Rs.)</th>
<th>Rate of interest (%) Per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Term Loan</td>
</tr>
<tr>
<td>Upto Rs. 25,000</td>
<td>12.5</td>
</tr>
<tr>
<td>Rs. 25,000 to Rs. 2,00,000</td>
<td>14.5</td>
</tr>
<tr>
<td>Above Rs. 2,00,000</td>
<td>17.5</td>
</tr>
</tbody>
</table>

*Source : Scheme Brochure*

The term loan is repayable in 6 - 8 years with a moratorium of 2 years. The repayment of the working capital loan will start at the commencement of the 31st month and will be spread over a period of 5 years.
21. Finance to Tourism Related Facilities

Tourism related facilities such as setting up of amusement parks, cultural and conventional centres, restaurants, travel, transport and tourist service agencies are eligible for financial assistance from the corporation.

Under this scheme, a financial assistance upto a maximum of Rs. 90 lakhs is available per project in case of registered co-operative societies and private or public limited companies and Rs. 60 lakhs in other cases like proprietary or partnership firms.

The promoters are required to contribute 22.5% of the project cost for amusement parks, convention centres and tourist service agencies and 20% of the cost for travel and transport. A security margin of 20% of travel and transport and 25% for others is also insisted upon. The repayment of loan is generally spread over a period of 5 to 8 years, including a moratorium period ranging from 6 months to 18 months.

22. Assistance for Acquiring Indigenous or Imported Second Hand Machinery

With more and more industries concentrating on precision and accuracy, machinery and automation systems are assuming a greater role. Machinaries have a direct effect on an industrial unit's productivity and profitability.

By recognising the importance of it, the corporation now provides assistance to industries for acquiring reputed Indian or imported second hand machine. The unit seeking this assistance should be atleast 2 years old and should have made profit. It
should also have a good track record or regular repayment to commercial banks and financial institutions.

The loan carries interest at the rate of 18.5% p.a. The loan repayment period is spread over 6 to 8 years with moratorium of up to 1 year.

23. Scheme for Rehabilitation of Sick Units

Under this scheme, any sick unit capable of being revived within a reasonable period of time is eligible for financial assistance. All units in tiny, small scale and medium sector which have gone sick and fall within the purview of the definition of IDBI are eligible for rehabilitation assistance under this scheme. The promoter is required to contribute 20% of the total cost of rehabilitation of a SSI unit, 10% of a tiny unit and 20% to 30% in the case of medium scale unit. The loan carries interest at the rate of 17.5% p.a irrespective of the location of the unit. The loan repayment period varies depending on the magnitude of the problems faced and projected cash flows.

24. Assistance to Tissue Culture Activity

Under this scheme, both new and existing units in the SSI sector promoted by the entrepreneurs with adequate / relevant background and experience are eligible for financial assistance up to a maximum of Rs. 90 lakhs per unit. Term loans up to a 75% of the cost of land, building, laminar flow work stations, culture room, misting chamber, green house and other essential facilities of tangible assets will be provided under this scheme.
25. Scheme for Research and Development Activities

This scheme has been designed to provide assistance to Research and Development activities either by units themselves or by national laboratories particularly in small scale sector. The scheme encourages to go in for advancement in technology in product/process having commercial application and for adopting imported technology generally not yet exploited on a commercial scale anywhere in the country.

Both existing and new SSI units are eligible for assistance. In the case of existing units, they should be regular in repayment of dues to the financial institutions and banks and they are in commercial production for atleast 5 years. Units assisted by the corporation which have become sick due to the failure of the basic technology are also eligible for assistance provided they satisfy the criteria stipulated in the scheme.

The research project should be such that entire research activities should be completed in two years. The innovations should lead to energy conservation, cost reductions, adoption, modification of transferred technology, import substitution, export market enhancement etc. The maximum amount of term loan available under scheme is Rs. 7.50 lakhs per project. The period of repayment of principal shall be fixed on the basis of repaying capacity of the loanee concern.

26. Seed Capital Scheme

Under this scheme interest free financial assistance upto 15 lakhs per project is available. However, nominal service charges of 1% will be charged for the first five years and normal interest rate thereafter for the remaining period.
The objective of this scheme is to provide financial assistance on liberal terms to new entrepreneurs who do not have adequate resources of their own for setting up industrial projects and with a view to bringing about wider dispersal of ownership and control of industrial undertaking, thus resulting in quicker industrialisation. The scheme is intended to induce and encourage setting up of small and medium scale industrial units which are eligible for assistance from IDBI or SIDBI.

To be eligible for assistance under this scheme, the entrepreneurs should either be technically or professionally qualified or they should possess relevant experience or skill in industry, business or trade and should have traits of an entrepreneur for setting up and running the enterprise successfully. Basically, the applicant should be a new entrepreneur i.e., one who intend to set up industry for the first time but lacks resources. The norm of new entrepreneur would be relaxed in the case of applicants intending to achieve better viability of the projects in the medium scale sector by undertaking diversification or who intend to take over the running of a closed or sick unit under rehabilitation programme drawn up and approved by financial institutions.

27. Special Capital Scheme / Soft Loan Facility

This scheme is meant to assist financially week entrepreneurs. Preference will be given to units set up by technically qualified entrepreneurs, crafts men, artisans and other individuals, who though not technically qualified have practical experience or skill in the industrial activity they intend to go for.

However, traditional industries, industrial estates, hotel industry, transport operators, mining and power generating units are not eligible for assistance under this scheme.
The loans under this scheme are extended on concessional terms not only in regard to the rate of interest but also in regard to the promoter's contribution, debt-equity ratio, initial moratorium and repayment period. The loan carries interest at the rate of 1% p.a in all cases. The amount of soft loan granted to individuals and partnership firms, participation in equity or in cumulative redeemable preference shares in public/ private limited companies respectively per project shall not exceed 10% of the cost of the project or Rs. 4.00 lakhs whichever is less (cost of project include all tangible assets.)

The interest on soft loan during the initial period of 3 years from the date of disbursement is payable quarterly. If the borrower fails to pay the principal amount interest amount, then he has to pay enhanced interest at the rate of 2.5% per annum over and above the normal rate of interest from the date of default.

28. Assistance for Marketing

There are two schemes in operation for marketing purposes. They are

a) Scheme of Assistance for Purchase of Mobile Sales Van

Under this scheme, term loans to all institutions approved by Khadi and Village Industries Commission (KVIC) for purchase of mobile sales van is provided. The mobile sales van purchased should be utilised exclusively for promotion, display and sale of cottage and village industries products. The maximum assistance that can be provided under this scheme is Rs. 3 lakhs per vehicle subject to a maximum of 6 vehicles per borrower.
b) Assistance for Marketing Entrepreneurs

This scheme is designed to improve marketing infrastructure for the products of small, cottage and village industrial units. Under this scheme term loan to the extent of 75% of the cost of the project is provided to the entrepreneurs engaged or to be engaged in distribution / sales of products of small cottage and village industries. Assistance under this scheme, is provided for acquisition of land, building, show room facilities, margin money for working capital and reasonable expenses on publicity. To enjoy this assistance the cost of the project should not exceed Rs. 25 lakhs.

29. Finance for Hatcheries and Poultry Farms

This scheme is designed to promote poultry farming and breeding units in the state by providing financial assistance to the entrepreneurs. A company, partnership firm or proprietary unit which has its own land can get this assistance to erect building, acquire equipment as well as cages for birds and for initial running expenses.

The assistance upto 75% of the cost of fixed assets, subject to a maximum of Rs. 150 lakhs (formerly Rs. 90 lakhs) for companies and Rs. 90 lakhs (formerly Rs. 60 lakhs) for partnership firms and proprietary concerns is given under this scheme. The loan carries interest at the rate of 12.5% p.a on upto Rs. 25,000 and 14% p.a on loans above Rs. 25,000 but below Rs. 2,00,000. The loan in excess of Rs. 2,00,000 carries interest at the rate of 18% p.a. The loan repayment is spread over a period of 6 to 8 years with a moratorium 1 to 2 years.
30. Equipment Lease Finance

Lease financing is nothing but provision of financial assistance to the lessee to acquire the fixed assets on lease basis followed by making the payment of lease rentals. Lease finance is widely used in western countries and is of recent development in our country.

The KSFC by recognising the need and importance of it to the entrepreneurs with the increasing cost of fixed assets provides the financial assistance between Rs. 5 lakhs and Rs. 150 lakhs. Under this scheme, profitably run industrial units, which are engaged in production for last 2 years and good track record can have the services of plant and machinery without making investment or incurring debt obligation.

31. Hire Purchase Assistance

Fixed assets like plant and machinery involve huge cash outlay. Financially capable entrepreneurs can easily purchase them. But a good number of entrepreneurs are financially week, thus, they need hire purchase assistance.

The corporation, by recognising the need and importance of this assistance, introduced a novel scheme recently. This scheme provides for a fast, easy alternative to ready cash. Under this scheme, assistance ranging from Rs. 1 lakh to Rs. 150 lakhs is available to industrial concerns in commercial production for last 2 years and they have earned profits and are regular in their repayments to financial institutions and banks. Professionals and commercial transport operators can also enjoy this assistance.
32. Factoring

Factoring is a system of financing under which the factor (i.e., the financial agent or institution) undertakes to collect the accounts receivable of the seller and forward the same to the seller; and also to advance money to the seller against the security of accounts receivable in case the seller needs funds immediately. This is a new scheme of the KSFC and the criteria for providing assistance under this scheme are as below.

1) SSI/MSI units who have a minimum 3 years track record with consistent profitability and positive net worth.

2) The goods must be sold on credit basis.

3) The unit should not be in default to institutions.

4) Bills to be discounted must relate to domestic trade debts arising in the usual course of supplier's business.

5) Based on credit sales of the company for the last 3 years, limit will be fixed for utilisation for each individual case to be reviewed every year.

6) The customers of the company should be reputed or the company should have dealings with these customers for a minimum period of 2 years regularly.

Under this scheme, financial assistance upto 80% of the invoice value including insurance, freight and taxes as up-front payment subject to a maximum of Rs. 150 lakhs per unit including all other fund based limits is given to the eligible entrepreneurs. This assistance carries interest at the rate of 20.5% p.a. inclusive of interest tax to be collected upfront.
33. VISHWA Scheme

VISHWA scheme is not a KSFC sponsored scheme. This scheme was introduced by the Karnataka State Government in the month of October 1991 aiming at building up the rural entrepreneurship and strengthening the economic base of rural Karnataka. Under this scheme, certain Entrepreneurship Development Institutions like Karnataka Handlooms Development Corporation (KHDC), Khadi and Village Industries Commission (KVIC) will undertake the responsibility of supplying the required raw-materials to the tiny, cottage and small units. They also undertake the tasks of selling the products manufactured by them through exhibitions or government sponsored/ owned stores. KSFC provides financial assistance (both term loan and working capital) to the sponsored units.

It is important to note that the organisational structure of KSFC, maximum amount of loan that can be given by KSFC, eligibility criteria, procedure to get the loan, security margin, moratorium period, application processing fee, rate of promoter’s minimum contributions, rate of interest on the loan, provisions relating to sanction, disbursement, release, recall and repayment of loan, concessions and various schemes of loan are subject to change from time to time. In this chapter an effort is made to incorporate the changes to a maximum extent besides giving the details relating to the above, prior to change. As far as the schemes for entrepreneurs is concerned, some schemes are discontinued by KSFC, but incorporated in this chapter, since entrepreneurs who have borrowed loan prior to discontinuation are available in the study area.
PROMOTIONAL AND DEVELOPMENTAL EFFORTS OF KSFC

Besides the above schemes of financial assistance, the corporation provides/undertakes a wide range of services/activities with the objective of developing entrepreneurship in the State of Karnataka. Few such services of the corporation are as below.

1. Merchant Banking Services

Merchant Banking is a British concept. In India, it was first introduced by National and Grindlays Bank in the year 1969. Now, banks and financial institutions have setup a separate merchant banking division manned by qualified and experienced staff.

KSFC has been approved as category I merchant banker by the Security Exchange Board of India (SEBI). Under this service scheme, the corporation can take up management of public issues, underwriting of shares, undertaking deferred payment guarantee, project report preparation, syndication of loans, pre-issue appraisals, opening foreign letter of credit, OTCEI sponsorship etc., on behalf of eligible entrepreneurs. The fund based activities comprises of bills discounting, investment in shares, subscription to non-convertible debentures, factoring services etc.

To provide the above services the corporation has opened a separate Merchant Banking and Financial Services department.
2. Business Development Department (BDD)

This department was started by the corporation to mobilise business by providing unique and distinct services to Non-resident Indians, as well as established medium and SSIs in Karnataka and prospective entrepreneurs propose to setup industries in Karnataka. It has its own data bank and through it, providing information on technologies available in various fields, socio-economic conditions of the state and the country, infrastructural facilities available in the state and competitive environment in local, national and international market. It also provides services to prospective and established entrepreneurs in identifying new opportunities and new vista with the help of various national and international research institutions and laboratories.

In addition to the above, it operates two schemes of the corporation viz., Management consultancy services and Financial assistance for Research and development activities. The services under the first scheme is restricted to the KSFC assisted units with good track record in performance and repayment of term loan. The main feature of the second scheme is to provide the finance for small scale units with an objective of encouraging advancement of technologies of products/processes having commercial applications and for adopting import technology and also development of indigenous technologies for commercial application.

3. The Entrepreneurs Guidance Cell

This cell is created by the corporation to guide the promoters for getting the financial assistance. This cell is headed by an Assistant General Manager. The prospective entrepreneurs who are in need of financial assistance should approach
this cell with a brief project report, bio-data, location proposed for the unit, net worth of the project, extent of term loan required etc.

The loan applications will be evaluated by a screening committee for forwarding or rejection. The committee will look for feasibility of the project, the promoter's technical qualification, his experience in handling similar or related project, location of the unit, securities offered by the promoter/s before accepting or rejecting the application.

4. Women Entrepreneur's Guidance Cell

The corporation attaches more importance to the development of entrepreneurship among women. To cope with this aim, it has created separate cell to guide women entrepreneurs in both the head office and branch offices. The cells headed by dedicated professionals provide single window assistance to women to tackle the myriad problems associated with setting up and running an enterprise. It maintains a database regarding the schemes available for women with various NGOs and government departments as well as with the KSFC. It organises EAPs, closely monitors assistance flowing to women entrepreneurs, conducts interactive sessions with them and formulates fresh proposal on the basis of the feedback received.

5. Project Identification Cell

This cell was started in 1984-85 with view to identify projects of high technology through in-house skills and with the assistance of external consultants. Sponsored consultancy service is offered as an incentive cum reward to good units of the corporation to enable them to identify and implement the schemes which will enhance their viability.
6. Public Grievances Cell

This cell is created by the corporation to deal with the grievances of the entrepreneurs which they experience while dealing with KSFC. This cell is functioning at the head office. The entrepreneur can send his grievances in writing either to this cell directly or to the concerned branch office. At the branch level a complaint/grievance box is kept by the corporation which is opened by a responsible officer once in every month. This cell will go through the grievances of the entrepreneur and take needful measures to overcome them.

7. Other Activities

The other organisational efforts of KSFC to promote the entrepreneurship are as follows.

1. For identification of entrepreneurs, the corporation organises:
   a. Industrial motivation campaigns at taluk levels.
   b. Entrepreneurship Development Programmes (EDPs) for specific group of entrepreneurs like women, engineering students, agriculturists, technical professionals, physically handicapped etc.
   c. Long duration EDPs (6 weeks) are conducted as a nodal agency.
   d. Enterprise Development programmes by professional industrial consultants in specified districts.
   e. District level industrial seminars.
   f. Entrepreneurship Awareness Programmes (EAPs).
   g. Entrepreneurs' meet and
   h. Conducting training courses in specified areas.
2. Provides special emphasis to women entrepreneurs.

3. Accord preference to local entrepreneurs.

4. The corporation introduced office automation in every office with a view to enhance efficiency and speed of operation.

5. It identifies new projects for investment and assists local people to set up industries in backward areas.

6. It provides industrial information and project profiles of the products which are having good marketing potential to entrepreneurs.

7. It tries to strengthen its own data bank on industrial information.

8. Information on new products and technologies available with various research institutions are provided by the corporation.

9. Special studies are carried out to assess problems and prospects of particular types of industries in the state.

10. Research and Development activities are encouraged and supported financially.

11. Seminars and conferences are conducted to create industrial awareness and to solve the problems confronted by the industries and

12. Industrial potential survey of district is conducted to assess the availability of local resources and industrial opportunities.
REFERENCES


3. Legal Manual, Karnataka State Financial Corporation, Bangalore, pp. 82-83.

4. Ibid., p. 85.


7. Scheme-wise brochures of KSFC.

Other references include:

1. Assistance to Industry - A publication of KSFC, Bangalore.

2. Karnataka State Financial Corporation - A Booklet