CHAPTER 7

ROLE OF KSFC IN PROMOTING THE
ENTREPRENEURSHIP

Introduction

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CHAPTER 7

ROLE OF KSFC IN PROMOTING THE ENTREPRENEURSHIP

INTRODUCTION

The developments banks* in India have emerged as important instruments through which programmes of entrepreneurship development are implemented.

A development banks has been defined as "an institution to promote and finance enterprises in the private sector". A large number of development banks were established in the developing countries in the post second world war era in order to accelerate the pace of their economic development through industrialisation. The functions of these banks are designed to suit the requirements of each country. According to Basu, the size of the economy, the stage of its development, the socio-economic frame work of a country, its banking and financial infrastructure, the political outlook of the government and the credit policies pursued by it determine the variety and nature of the functions of development banks. As such, the functions performed by different development banks are not similar. They perform financial as well as promotional functions. Such as provision of long term loans, participation in equity capital, guaranteeing loans and underwriting the new issue of shares and debentures, promotion of new industry to fill up the gaps in the industrial structure, provision of technical, managerial and administrative advice, conduct of

* The terms "development bank" and "financial institution" are used synonymously in this study.
techno-economic survey and market research, laying out of industrial estates etc.

DEVELOPMENT BANKS IN INDIA

In India, at the time of independence, the capital market was not well developed and entrepreneurs particularly new ones operating on a small scale found it extremely difficult to raise long term capital. Gupta sums up the state of industrial finance in India before independence in the following words, "the principal features of the industrial financing organisation in India were the closed circle character of industrial entrepreneurship, a semi organised and narrow industrial securities market of issuing institutions and virtual absence of participation by intermediary financial institutions in the long term financing of industry". It is due to the prevalence of such a situation that the government established the Industrial Finance Corporation of India (IFCI) within two years of independence.

The important network of development banks in India comprise of IFCI, ICICI, IDBI, SIDBI, SFCs, State Industrial Development Corporations, Unit Trust of India (UTI), Life Insurance Corporation of India (LIC) and the General Insurance Corporation of India (GIC). Of these, the first six development banks perform both financial and developmental functions. The promotion of new entrepreneurs, in order to widen the entrepreneurial base in the country is an important aspect of the developmental functions of the development banks in India. They perform a wide range of activities either directly or through institutions sponsored by themselves inorder to promote and develop entrepreneurship. These activities include provision of finance (financial measure) and helping the entrepreneurs to perform all promotional activities required to establish a unit, right from the stage of identifying a
suitable project up to the stage of establishing an industrial unit. The two important activities undertaken by development banks (in Karnataka) in promoting the entrepreneurship among many include;

1) Conducting Entrepreneurship Development Programmes and
2) Provisions of Consultancy Services.

1. Entrepreneurship Development Programmes

Conducting of Entrepreneurship Development Programmes (EDPs) in Karnataka State is co-ordinated by the State Level Committee for Co-ordination of EDPs. The committee consists of representatives of KSFC, KSSIDC, KSIIDC, State Bank of India, Canara Bank, Corporation Bank, State Bank of Mysore, Syndicate Bank and Vijaya Bank. The TECSOK, promoted by the Government of Karnataka was the nodal agency for conducting and monitoring of EDPs in the state. In 1992, the CEDOK was established to take over the task of conducting EDPs in Karnataka State.

2. Consultancy Services

In Karnataka consultancy services to entrepreneurs intending to set up units in the tiny, small and medium scale industrial sectors are provided at reasonable costs by the TECSOK established in 1976.

ASSESSMENT OF PROMOTIONAL ROLE OF KSFC

The promotional activities of the corporation are mainly aimed at providing the required thrust to the growth of industries in the state through new entrepreneurship. It has organised a number of programmes on its own and in
association with other developmental agencies and voluntary organisations. Such programmes include EDPs, EAPs, PRC/PMC holders meeting and successful entrepreneurs meet.

1. Entrepreneurship Development Programmes

The Entrepreneurship Development Programme is the most crucial component of the promotional efforts of KSFC. An EDP is conducted to help the trainee in acquiring skills and capacities necessary for playing his entrepreneurial role effectively. Through such programmes, the corporation identifies the latent entrepreneurial traits among the participants, motivate them to take up an industrial venture, training in managing the project and guide in locating the project, testing its economic viability and technical feasibility, guiding about the market conditions, complying with government / corporation’s rules and regulations and obtaining finance.

The corporation conducts Industrial Motivation Camps and Industrial Seminars. Such programmes are of a short duration spanning a day or two and are conducted in association with other agencies such as DIC, TECSOK and Commercial Banks. The corporation also conducts studies and market surveys at regular intervals to assess the industrial potentialities of different regions in the state. The data collected from such surveys together with information regarding the facilities provided by different agencies to entrepreneurs is important to the prospective entrepreneurs in the Industrial Motivation Camps and Seminars.

The corporation also conducts Management Orientation Course for first generation entrepreneurs assisted by it. In addition, it arranges inter-institutional
meetings with bankers. The problems faced by the entrepreneurs are discussed and remedies are suggested by a team of experts in such meetings.

**Selection Criteria**

The KSFC will give a general call about EDPs. The assisted entrepreneurs, PRC/PMC holders are also invited for such programmes. If the EDP is held in association with other agencies, they will also mobilise the people in that area.

A brief account of the important programmes conducted by the corporation in the study area is as below.

1. In 1992-93 an EAP for physically handicapped was organised by KSFC in collaboration with Karnataka State physically handicapped persons association at Shimoga, benefited 43 participants. The purpose of the programme was to brief the schemes of KSFC meant for physically handicapped persons.

2. In 1993-94, an EAP for the final year students of Government Polytechnic for Women, Shimoga was organised, benefited 80 students.

3. During the year 1994-95, a long term EDP of 2 weeks was held at Shimoga benefited 35 participants. However, only one among them availed loan amounting to Rs. 3 lakhs to set up a project. In Channagiri and Honnali taluks also, one each such EDPs were held benefited 85 and 80 participants respectively. Among the 85 participants in Channagiri, 2 participants availed loan amounting to Rs. 1,20,000 in total.

4. In 1995-96, one each follow-up meeting of EDP was organised at Channagiri and Honnali taluks benefited 25 and 38 participants respectively. Among the 25 participants at Channagiri, only one participant availed the loan to setup a project.
On 6-2-1996, EDP for women was held at Heggodu in Sagar taluk by KSFC Shimoga in association with KAVIKAVYA TRUST Heggodu benefited 70 participants. The technical session held at EDP briefed the schemes of KSFC for women entrepreneurs and the procedure to be followed by the applicant to avail the loan. However, not even a single participant came forward to set up a project by availing the assistance of KSFC. The above experience of the corporation in Shimoga, Channagiri, Honnali and Sagar shows the low output / ineffectiveness of such programmes. On 7-2-1996, to discuss the problems of women entrepreneurs assisted by the corporation, a meet was held at Shimoga.

2. PRC / PMC Holders Meeting

This is the meeting of the entrepreneurs who have obtained the Provisional Registration Certificate or Permanent Registration Certificate to start a small scale industry from the DIC. The objective of such programmes is to induce the PRC/PMC holders to expand or modernise their projects or to diversify from the existing line of activity. During such meetings, guidance with regard to the preliminary work to be completed before setting up an enterprise, information on government policies and programmes, sources of finance, schemes of assistance, limit of assistance, rules and regulations to be complied with etc., are provided to the participants.

During the year 1994-95, one each meeting was held at Sagar and Shimoga benefited 8 and 2 participants respectively. Among the participants, 2 in Sagar and 1 in Shimoga have availed a loan amounting to Rs. 20,000 and Rs. 11 lakhs respectively. During 1995-96, 2 such programmes were held at Sagar benefited 32 participants in total. Out of them 16 participants constituting 50 per cent to the total
came forward to set up either new projects or expand / modernise/ improve the existing projects 12.

In Shimoga taluk also, one such meeting was held in 1995-96, benefited 8 participants. Out of them 2 availed a loan to set up a project/expand or modernise the existing projects 13. These figures show the effectiveness of such meetings when compared with EDP-output ratio (i.e., ratio of EDP participants and number of participants who have started the industry).

3. Successful Entrepreneurs Meet

The assisted entrepreneurs, who are regular in repayment to the corporation are the major target groups of such meets. It aims at encouraging the successful entrepreneurs to expand or modernise their projects and to diversify from the existing line of activities. During the meet, guidelines about newly introduced schemes of the corporation, rules and regulations to be complied with, scope for the development of industries in that area, marketing, opportunities available to the product / service, the product profile etc., are be given. The grievances of the entrepreneurs are also be dealt with and suggestions and opinions of the entrepreneurs are invited to improve the services.

During the year 1995-96, one such programme was held at Sagar benefited 27 entrepreneurs. Among them, 2 availed a loan amounting to Rs. 20 lakhs to expand their projects 14. Similar programme for women was organised at Shimoga benefited 13 participants 15. Similar meet was held on 12-9-1996 at Shimoga. The meet briefed the entrepreneurs; the new schemes of KSFC and invited the opinions of participants regarding the KSFC, their grievances etc .16
The corporation is also organising the seminars exclusively for the rejuvenation of sick units. One such programme was held in 1996-97 at Shimoga. The reasons for the sickness, how to prevent the sickness, the efforts of KSFC to control the sickness etc., were figured in the seminar.\textsuperscript{17}

The various activities of the KSFC have already been discussed in the earlier pages. In the ensuing pages an attempt is made to evaluate the impact of the Entrepreneurship Development Programmes on the entrepreneurs/participants in the study area. The ultimate objective of such programmes is, of course, the establishment and continued functioning of industrial units of entrepreneurs. However, adequate data regarding the number of units which have been setup as a result of EDPs and the names and addresses of all the participants (like the loan borrowers) is not maintained properly by KSFC. Therefore, the impact of EDPs on the development of entrepreneurs has been made on the basis of data obtained from entrepreneurs under study. The evaluation of other promotional activities is not made due to the aforesaid reasons. Moreover, EDP is the most important promotional activity of KSFC than any other.

The effectiveness of Entrepreneurship Development Programmes is assessed by taking into account the following parameters.

1. The coverage of EDPs i.e., the number of entrepreneurs under study who have obtained training under the programmes and the agency conducted it.
2. The extent to which the EDP has motivated the entrepreneurs to set up units.
3. The extent of usefulness of EDP.
4. Follow-up of EDP by KSFC and extent of usefulness of follow-up activities and,
5. The impact of the EDPs on the functioning of entrepreneurs.

1. Coverage of Entrepreneurship Development Programmes

Out of the 280 entrepreneurs surveyed, 100 entrepreneurs constituting 35.71 per cent of the total had attended EDPs, while 64.29 per cent had not undergone training under such programmes (Table 7.1)

Among them, 48 entrepreneurs had participated in the EDP conducted jointly by KSFC and DIC, 4 entrepreneurs had participated in the EDP conducted jointly by KSFC and Commercial Banks, 2 entrepreneurs in a programme conducted by KSFC and KSSIDC and one entrepreneur had participated in the EDP conducted by KSFC and an Engineering college where he was a student. The remaining 45 entrepreneurs had participated in an EDP conducted by KSFC independently.

**TABLE 7.1**

**NUMBER OF ENTREPRENEURS WHO ATTENDED EDPs**

<table>
<thead>
<tr>
<th>EDP Training</th>
<th>No. of Entrepreneurs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurs who had attended EDP</td>
<td>100</td>
<td>35.71</td>
</tr>
<tr>
<td>Entrepreneurs who had not attended EDP</td>
<td>180</td>
<td>64.29</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>280</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

*Source: Survey Data*

Therefore, it should be noted that, a majority of the entrepreneurs under study had established their units without the benefit of such programmes.
2. Entrepreneurship Development Programmes as a Motivating Factor

Entrepreneurs under study were asked to rank the various factors which influenced them to become an entrepreneur or to establish their units in the order of importance which they attached to each factor. The findings of the study in this regard have been incorporated in Chapter 5 (Table 5.5) and the ranking relevant to EDPs are reproduced in Table 7.2.

TABLE 7.2

RANKING OF EDP AS A MOTIVATING FACTOR

<table>
<thead>
<tr>
<th>Ranking of EDP</th>
<th>No. of Entrepreneurs</th>
<th>Percentage of EDP trained entrepreneurs i.e., to 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank 1</td>
<td>5</td>
<td>5.00</td>
</tr>
<tr>
<td>Rank 2</td>
<td>4</td>
<td>4.00</td>
</tr>
<tr>
<td>Rank 3</td>
<td>2</td>
<td>2.00</td>
</tr>
<tr>
<td>Rank 4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rank 5</td>
<td>1</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Source: Survey Data

It can be observed from the Table 7.2 that, out of the 100 entrepreneurs who had attended EDPs, only 12 per cent have mentioned it as a factor motivating them to set up their units / in becoming an entrepreneur. Among them 5 entrepreneurs have ranked it as the first important factor, 4 entrepreneurs have ranked it as the second important factor, 2 entrepreneurs have accorded it the third rank and only one entrepreneur has accorded it the last or fifth rank.
The inference which can be drawn from these findings is that the potential entrepreneurs who undergo training under EDPs already have an intention to establish units and they attend such programmes to acquire knowledge and skill to establish and manage an industrial unit. A few entrepreneurs opined that they did participate in such programmes just to honour the invitation given by KSFC/DIC officials. The instances of using this opportunity (i.e., EDP) to get solution to their grievances, to get additional finance for expansion/modernisation, to get the postponement of exercising strict recovery measures by KSFC was also observed during field survey.

The Selection Process:

The selecting of candidates for undergoing training is a crucial aspect of the EDP. The EDP participants were asked about the way of their selection for the EDP. It is very important that all the 100 EDP participants attended the programme on receiving a letter from the agency conducted it. No entrepreneur was selected either by writing a written test or on facing an interview.

The inference that can be drawn up from the above is that the corporation is not adopting the healthy practice of securing and identifying those with entrepreneurial traits. Even the oral official view that "we will conduct EDP just to reach the target fixed" shows the less seriousness of KSFC to the direct approach to entrepreneurship development.

It is important to note that from 1998-99, the KSFC has stopped the EDPs as an economy measure.
3. The Extent of Usefulness of EDP

The entrepreneurs under study were asked to indicate the extent to which the programme was beneficial to them in selecting the project, project evaluation and preparation of techno-economic feasibility report, in getting knowledge about market condition, in-plant training and in any other way. The Table 7.3 shows the findings of the survey in this regard.

TABLE 7.3

EXTENT OF USEFULNESS OF EDP

<table>
<thead>
<tr>
<th>Component of EDP</th>
<th>Extent of usefulness</th>
<th></th>
<th></th>
<th>No.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Useful</td>
<td>No.</td>
<td>%</td>
<td>Not Useful</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. In selecting the project</td>
<td>25</td>
<td>75</td>
<td>75.00</td>
<td>100</td>
<td>100.00</td>
</tr>
<tr>
<td>2. Project evaluation and preparation</td>
<td>5</td>
<td>95</td>
<td>95.00</td>
<td>100</td>
<td>100.00</td>
</tr>
<tr>
<td>of techno-economic feasibility report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. About market condition</td>
<td>8</td>
<td>92</td>
<td>92.00</td>
<td>100</td>
<td>100.00</td>
</tr>
<tr>
<td>4. In plant training</td>
<td>1</td>
<td>99</td>
<td>99.00</td>
<td>100</td>
<td>100.00</td>
</tr>
<tr>
<td>5. Any other *</td>
<td>35</td>
<td>65</td>
<td>65.00</td>
<td>100</td>
<td>100.00</td>
</tr>
</tbody>
</table>

- The areas of usefulness include knowledge about new product, new type of lathe in Punjab, procedure to avail the loan, terms, conditions and schemes of KSFC, benefited in expansion / modernisation / technological upgradation of the unit, production planning and waste minimisation.

No. : Number of Entrepreneurs

Source : Survey Data
It can be observed from the Table 7.3 that a majority of the entrepreneurs rate the various components of the EDP as "not useful". Only in the case of two components viz., "Any other" and "In selecting the project" (35 per cent and 25 per cent respectively) significant number of EDP participants have rated it as "useful". Of the 3 other components, field trips to industrial units to get inplant training benefited only one participant, 5 entrepreneurs in project evaluation and in preparation of techno-economic feasibility report and 8 participants in getting knowledge about market conditions for the products manufactured by them or service rendered by them.

Many of the entrepreneurs complained that the KSFC officials do not deal in accordance with the promises made during the programme. Few entrepreneurs opined that the project ideas identified during the EDP were highly impracticable, not suitable to the nature of the entrepreneur and involved very large investment. One entrepreneur expressed the view that an EDP instead of emphasising on how easy it is to set up an unit should focus on the various problems an entrepreneur is likely to encounter in the course of establishing and managing an industrial enterprise and how to overcome them.

4. Follow-up of EDP and Extent of Usefulness

The follow-up programme constitutes an important component of the Entrepreneurship Development Programme. Under the follow-up programme, the trainees are provided guidance in the actual setting up of the unit. The type of assistance provided includes guidance in applying for and obtaining sanction of financial assistance, selecting and procuring a suitable location, completing
governmental formalities to establish a unit, registration under various statutes and assistance in obtaining a licence.

The entrepreneurs under study were asked whether they received follow-up assistance from KSFC and the extent to which it was useful. Of the 100 entrepreneurs who attended EDP, only 35 entrepreneurs received follow-up assistance from the corporation, while 65 entrepreneurs mentioned that such assistance was not received.

The Table 7.4 shows the findings of the survey with regard to the extent of usefulness of the follow-up programmes.

**TABLE 7.4**

**EXTENT OF USEFULNESS OF FOLLOW-UP OF EDP**

<table>
<thead>
<tr>
<th>Assistance provided after EDP</th>
<th>Extent of usefulness</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Useful</td>
<td>No.</td>
<td>%</td>
<td>Not Useful</td>
<td>No.</td>
</tr>
<tr>
<td>1. In securing sanction of loan</td>
<td></td>
<td>27</td>
<td>77.14</td>
<td>8</td>
<td>22.86</td>
</tr>
<tr>
<td>2. Selecting and securing suitable location</td>
<td></td>
<td>33</td>
<td>94.29</td>
<td>2</td>
<td>5.71</td>
</tr>
<tr>
<td>3. Completing governmental formalities say registration of units, obtaining licence etc.</td>
<td></td>
<td>31</td>
<td>88.57</td>
<td>4</td>
<td>11.43</td>
</tr>
<tr>
<td>4. Any other *</td>
<td></td>
<td>33</td>
<td>94.29</td>
<td>2</td>
<td>5.71</td>
</tr>
</tbody>
</table>

* The areas of usefulness include optimum use of resources, extension of loan repayment period and a sense of responsibility and sincerity created.

**No.**: Number of entrepreneurs

**Source**: Survey Data
Table 7.4 indicates that a large number of entrepreneurs have rated the assistance provided by KSFC after the completion of EDP as "not useful". The assistance provided in securing sanction of loans was rated as "useful" by 22.86 per cent of the entrepreneurs, 11.43 per cent rated the services of KSFC in completing governmental formalities as "useful" and only 2 each entrepreneurs have rated the services as "useful" in the area of selecting and securing suitable locations and any other.

The inference that can be drawn from the above is the follow-up of EDP by KSFC is not encouraging one.

5. Impact of EDP on the Functioning of Entrepreneurs

The impact of the EDP on the functioning of entrepreneurs is studied by conducting a comparative analysis of the functioning of the entrepreneurs who have been trained under an EDP and those who have not received such training. The concentration of EDP and non-EDP entrepreneurs in different areas of marketing is chosen as a factor to assess the same. The Table 7.5 shows the distribution of EDP and Non-EDP entrepreneurs in the different areas of the market.

Giving knowledge to the participants about the market conditions is one of the important components of an EDP as indicated in Table 7.3. The analysis of Table 7.3 revealed that this component of EDP has not benefited 92 per cent of entrepreneurs. Despite this, the analysis with the help of Table 7.5 is carried out to see whether the performance of EDP entrepreneurs as far as marketing is concerned is influenced by any other factor. Table 7.5 indicates that the percentage share of EDP entrepreneurs in local market is less than the percentage share of non-EDP entrepreneurs, while they
have enjoyed better share in the state-wide market (28 per cent) and national market (18 per cent) than the non EDP entrepreneurs.

### TABLE 7.5

**EDP AND MARKETING AREA**

<table>
<thead>
<tr>
<th>Type of Market</th>
<th>EDP Entrepreneurs</th>
<th>Non -EDP Entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Entrepreneurs</td>
<td>%</td>
</tr>
<tr>
<td>Local</td>
<td>54</td>
<td>54.00</td>
</tr>
<tr>
<td>State wide</td>
<td>28</td>
<td>28.00</td>
</tr>
<tr>
<td>National</td>
<td>18</td>
<td>18.00</td>
</tr>
<tr>
<td>Not marketing the service</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Source:** Survey Data

Though the above findings is favourable to EDP, the entrepreneurs opinion regarding the extent of usefulness of EDP in getting knowledge about market condition (Table 7.3) contradicts the above findings. Therefore, it can be inferred that it is the natural entrepreneurial skill inherited in the entrepreneurs helped them in climbing the ladder of marketing. The concentration of entrepreneurs from trade or industrial background in state-wide and national market (Table 5.22) in large number supports the inference drawn above.

Based on the above, the summary of findings and a few suggestions are given in the next chapter.
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9. EDP Report, KSFC, Shimoga.
11. EDP, PRC/PMC Holders Meeting Report, KSFC, Shimoga, 1994-95 and Annual Sanctions Register, KSFC, Shimoga.
13. Ibid.

