CHAPTER - IV

COMPARISON OF QUALITATIVE ASPECTS OF PERFORMANCE

The underdeveloped economy of India suffers from several bottlenecks in the development of industry in the country. Apart from scarcity of capital, the other factors such as lack of infrastructural facilities like industrial estate, lack of entrepreneurial ability in the people and other cultural and demographic factors are very big obstacles in the way of industrial growth of our country. It is pertinent to mention here that the objective of rapid industrialisation cannot be achieved without the requisite infrastructure, enterprising entrepreneurship and conductive industrial climate. Though, a number of organisations/departments have been established by the Government in the last 57 years, solely for arrangements to overcome the same, however, it becomes the responsibility of each and every organisation engaged in the industrial development of the country to help these departments in providing necessary facilities for industries. Since India is a large country and SFCs are principal financial institutions of their respective states, it is therefore, their responsibility to take leading role in all the promotional activities for industrial development in collaboration and cooperation with other agencies engaged in this work.

4.1 DEVELOPMENT OF INFRASTRUCTURE FACILITIES:

The social objectives of the country have to be translated into action. As part of their development activity they may assume responsibility for developing infrastructure and social utilities.
Infrastructural facilities for industrial development include adequate number of sheds for industrial units, availability of power/water, availability of transport facilities etc. Our government has set up a number of Departments/Corporations, which are responsible for providing infrastructural facilities in their state. Besides Directorate of Industries (D.I.) with its network of District Industries Centres (DICs), there are State Industrial Development Corporation (SIDCs) and Small Industrial Corporation (SICs) which are engaged in planning and development of industrial estates. In additional, some states, have separate Industrial Infrastructural Corporations and Industrial Area Development Board for development of Industrial Estates. In some States SFCs are directly engaged in this work by providing financial assistance for the development of industrial estates.

On the basis of scrutiny of annual reports of three SFCs under review as well as personal discussions with the officers of those SFCs it was found that MPFC has not provided any financial assistance to industrial estates during 1999-2003, but have sanctioned Rs. 45.00 lakhs for 2 industrial estates since inception till March 2003. It was also found that few meetings with the officers of Madhya Pradesh Small Industries Development Corporation, Directorate of Industries etc, were held between 1999-2003. But these meetings were mainly organized to discuss the problems of industrial units of their areas. However, in these meetings the present state of infrastructural facilities for industry in Madhya Pradesh were also discussed. Looking at the scope of industrialization, the availability of infrastructure and, in order to bring the state at par with other neighboring industrialized state, the government established District Industries Centers in all districts and 19 sub centers in other specified areas. It was also noticed that no special meeting of MPFC with other organizations was arranged exclusively for chalking out any joint programme for development of industrial estate in Madhya Pradesh. It was also observed that meetings between these organizations were not held at
regular intervals, which indicate that MPFC has little participation in the development of infrastructural facilities in its state.

UPFC has not provided any direct financial assistance to industrial estates during the year 1999-2003, but like MPFC the meeting with the officers of Directorate of Industries, U.P. State Industrial Development Corporation (UPSIDC), U.P. Small Industrial Corporation (UPSIC) and New Okhla Industrial Development Authority was held. However, in this case also these meetings were organized to discuss the problems of industrial units located in their areas and no meeting was held exclusively for developing any package for development of Infrastructural facilities in U.P. with direct participation of UPFC. On enquiry about the reasons from the officials as to why UPFC prefers to distance itself from the activities related to development of infrastructural facilities, it was found that the attitude of UPFC officials was apathetic towards these activities. It was informed by a very senior officer of UPFC that since they are unable to manage their own main activities i.e. providing financial assistance to industrial units, therefore, it is not possible for them to undertake additional activities. They have little time to participate in such activities for which others are responsible and accountable. However the other organizations like UPSIDC, UPSIC etc have never sought the help of UPFC as such no help was extended to their departments. In view of this it may be said that for non-participation of UPFC in developmental activities, the other government organizations engaged in these activities are also to be blamed. In addition rigid framework of Government policies and lack of autonomy to government organizations force them to confine themselves within policy and rules and as such their efforts are channelised in the direction for achievement of their own targets.

In Maharashtra, the situation is slightly better then U.P. and M.P. Although UPFC has not provided any direct financial assistance to industrial
estates in Maharashtra during the year 1999-2003, but Maharashtra Government has set up coordinating bodies such as Udyog Mittra with which MSFC is closely associated to help in solving the problem of industries.

In addition, MSFC maintains close liaison with Maharashtra State Small Industries Development Corporation (MSSIDC), Maharashtra Industrial Development Corporation (MIDC) and Regional Development Corporations (RDCs). There is a bipartite agreement between MSFC and MIDC for borrowers located in MIDC area, which helps in avoiding duplication of efforts of the Corporations. The managing director of MSFC is also one of the directors of MIDC which ensures the active participation of MSFC in the development of infrastructural facilities in the state. In addition MD of MSFC is also an active member of state level co-ordination committee for industrial development comprising of chief executive officers of state level and regional development corporations, senior officers of directorate of industries and state industrial corporation, the meetings of which are arranged from time to time in which, besides discussions of other problems, the programmes for planning and development of industrial estates are discussed and finalized. Thus it is evident from the above that MD of MSFC being the member of several state level committees ensures involvement of MSFC in the developmental activities for industry in the state. As already stated MSFC has not provided any financial assistance to industrial estates during the year 1999-2000 and 2000-2001 but have sanctioned Rs. 6.22 Crore for 33 industrial estates cumulative upto the end of March 2001. During the year 2001-2002 it sanctioned 1 case amounting to Rs. 0.12 Cr., thus totaling 34 industrial estates amounting to Rs. 6.34 Cr. Cumulative upto the end of March 2003.

The liaison of these three SFCs with Electricity Boards and other agencies engaged in providing infrastructural facilities like water, transport
etc. has been poor. There is no policy of arranging regular meetings with these organizations. However, meetings are organized in the case of specific industrial units in order to provide concessions to such units from the related departments. The Government of Maharashtra and Government of Goa have recognized the gravity of the situation and have accorded top priority for the development of infrastructure. In Maharashtra number of Five-Star industrial estate with single window clearance are being developed, which will go a long way in attracting new investment in such areas, provided effective measures are taken to establish the facilities speedily.

4.2 DEVELOPMENT OF ENTREPRENEURSHIP AND ITS DISPERSAL:

Even by providing adequate financial help infrastructural facilities required for industry and other inputs, it is not possible to ensure industrial development of the country without adequate number of people with entrepreneurial capabilities who can ensure optimum utilization of scarce resources available in the country. Though most of the competencies needed to become a successful entrepreneur are inborn and also depends upon the environment in which the person has grown up, yet some competencies may be developed and others can be sharpened, by providing motivation to the persons with entrepreneurial skills. Therefore, it’s essential to continuously locate and nurture the people having entrepreneur talents.

Due to lack of education, poverty and other social and cultural reasons, the environment of our society is not conducive for the development of entrepreneurial capabilities. As such it becomes the responsibility of our government being the head of the society, to prepare adequate number of people who can best utilize the resources available in the country. However, in a large country like, India, government alone cannot prepare requisite number of persons and needs the assistance of all the financial /educational /
voluntary organization to achieve this objective. An appropriate framework for the entrepreneurship training programmes with emphasis on local entrepreneurial talents is a necessary pre condition for setting up industrial growth in a region on a self-sustained basis. The cost of such programmes is, subsidized by the state government, All India Financial Institutions and State Level Institutions or other sponsors like banks. These, Entrepreneurship Developmental Programmes (EDP) are for science and technology, tiny and village industries for creating self-employment in rural areas.

Being an important corporation of their state, SFCs are expected to actively participate for development of Entrepreneurship and its dispersal in their State and providing requisite motivation to people of their State to come forward for obtaining loan and start their own industrial units, with more emphasis on relatively Backward Regions and providing support to State Level Entrepreneurship Programmes.

It is unfortunate that UPFC and MPFC have not made much effort in the development and dispersal of entrepreneurship in their respective State during the period under review.

In this respect officers of UPFC have informed that they do not conduct any Entrepreneurial Development Programmes (EDPs), however, from time to time officers of UPFC are sent to attend various programmes conducted by Institute of Entrepreneurship Development U.P. (IEDUP) situated at Lucknow and it may be mentioned that IEDUP was established as a Joint Venture of Central Financial Institutions, Government of U.P. and Commercial Banks. IEDUP conducts EDPs for prospective as well as existing entrepreneurs specially those in Small Scale Sector. UPFC also sent its new entrepreneurs to existing financed units of same product line for acquainting themselves with the functions of industrial units. However, it was informed by the Officials of UPFC that they did not verify whether the entrepreneurs
sent by them have really attended the programmes of IEDUP or visited existing units which suggests that UPFC is taking EDPs very casually and as a routine matters. In addition like any other SFC, UPFC too has its separate Guidance Cell which is responsible for guiding entrepreneurs right from stage of submission of project proposal to its final implementation. But most of the existing as well as new entrepreneurs has informed that this cell is not very effective in UPFC. However, it was informed by a large number of entrepreneurs that the attitude of official of UPFC is in fact discouraging for prospective entrepreneurs especially smaller and rural area entrepreneurs as such in spite of personal efforts, UPFC officials did not make available the data regarding percentage of assistance provided to local entrepreneurs, which is an important measure for judging the performance of any institution in development of entrepreneurs. It was also found that UPFC did participate in programmes/ seminars conducted by voluntary organisation i.e. Rotary Club/ other departments which were held for motivating people of the State to come forward and obtain loans to start their own industrial units. Thus, it is obvious that the contribution of UPFC in development and dispersal of entrepreneurs in its State is negligible.

On the contrary the performance of MSFC in respect of development and dispersal of entrepreneurs in the state has been significant during the period 1999-2003. As part of the promotional efforts, the officers of the corporation at head office and the divisional and branch offices participated in the programmes/ seminars on development of industrial sector, organised by various organisations and Industries Associations. The officers of the corporation also participated in the entrepreneurship development programmes conducted by Maharashtra Centre for entrepreneurship development, various management institution and chambers of commerce in Mumbai and other parts of the state. During this period MSFC has also organised a number of EDP’s on its own and co-sponsored some EDPs with
other organisation. In addition MSFC on its own, as well as in collaboration with other organisations has conducted a number of industrial campaigns to motivate the people of state for setting up their own industrial units.

The performance of MPFC in respect of development and dispersal of entrepreneurship is like that of UPFC. MPFC has associated itself with Entrepreneurship Awareness Programmes organised by various educational institutions and other parts of Madhya Pradesh but details of such programme and the extent of participation of MPFC in these programmes is not available at Madhya Pradesh Financial Corporation.

Thus, it is clear from above that only MSFC has made substantial contribution in making people aware of its programme. However, UPFC and MPFC have not prepared any separate account on this head as that of MSFC as such their expenditure on this head could not be known separately.

4.3 PROMOTION TO THE EXPORT ORIENTED UNITS:

Since, our country has been facing a lot of problems of foreign exchange, it is essential to ensure the saving of foreign exchange by using indigenous raw material and technology, but it is also necessary to increase the inflow of foreign currency by promoting such industrial units, which are exporting their products to foreign country.

In respect of promotion of 100% export-oriented units, the UPFC sanctioned Rs. 1.01 Crore to 2 export-oriented units during 1999-2000. During 2000-2001, 4 more export-oriented units were sanctioned Rs. 2.10 Crore. During 2001-2002 no sanctions were made while in 2002-2003, one more sanction amounting to Rs. 1.50 Crore was sanctioned. Since inception UPFC has sanctioned 90 EOU amounting to Rs. 27.80 Crore.

Although Maharshtra State Financial Corporation and Madhya Pradesh Financial Corporation have not sanctioned any loan to 100% export-oriented
units but they, along with UPFC have provided financial assistance to many industrial units who are engaged in export business. However, details, of such data were not available with SFCs.

4.4- EFFORTS MADE TOWARDS OPTIMUM UTILIZATION OF SCARCE RESOURCES LIKE POWER, CAPITAL AND MATERIAL ETC.

As already stated India is rich of natural resources, however the availability of capital power and raw material, which are basic inputs for the industrial development are very limited. In view of this it is essential to ensure the best possible utilisation of these resources. SFCs being institutions for providing the very important input i.e. capital are also supposed to ensure the optimum utilisation of scarce resources by its assisted units.

In this case also, no separate data is available with the three SFCs, which may compare their efforts in this direction.

However, their problems in this regard are more or less the same. It was informed, by the officials of these SFCs that they have assisted several units, which were uneconomical, in order to fulfill the social obligations of our government. As such there was the wastage of scarce capital in many of these cases. The officials of SFCs were well aware of these facts.

In order to ensure optimum utilisation of scarce resources like power and material, these SFCs have sanctioned loan for the modernisation of existing units. Table 4.1 and chart no.12 depicts sanctions for modernization and expansion by the three SFCs between 1999-2000 to 2002-2003.
TABLE NO.4.1
Sanctions for Modernization and Expansion by the three SFC’s
(Rs. in Crore)

**MSFC**

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<tbody>
<tr>
<td></td>
<td>Rs</td>
<td>% to total sanction</td>
<td>Rs</td>
<td>% to total sanction</td>
</tr>
<tr>
<td>Expansion</td>
<td>27.35</td>
<td>48.84</td>
<td>20.84</td>
<td>26.63</td>
</tr>
<tr>
<td>Modernisation</td>
<td>3.21</td>
<td>5.73</td>
<td>3.80</td>
<td>4.85</td>
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<td>Source</td>
<td>Page 56</td>
<td>Page 64</td>
<td>Page 57</td>
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<tr>
<td>Annual Report</td>
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**UPFC**

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<td></td>
<td>Rs</td>
<td>% to total sanction</td>
<td>Rs</td>
<td>% to total sanction</td>
</tr>
<tr>
<td>Expansion</td>
<td>17.53</td>
<td>26.71</td>
<td>25.38</td>
<td>23.68</td>
</tr>
<tr>
<td>Modernisation</td>
<td>1.68</td>
<td>2.56</td>
<td>2.75</td>
<td>2.57</td>
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<tr>
<td>Annual Report</td>
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CHART – 12
COMPARATIVE STUDY ON THE PERCENTAGE SANCTION FOR MODERNIZATION AND EXPANSION

MAHARASHTRA STATE FINANCIAL CORPORATION

UTTAR PRADESH FINANCIAL CORPORATION

MADHYA PRADESH FINANCIAL CORPORATION

Y YEARS

Y YEARS

Y YEARS
From the above data it is analyzed that in case of MSFC Modernisation assistance is added with rehabilitation assistance. The assistance by MSFC jointly on these two heads was Rs.3.21 Crore in 1999-2000, Rs. 3.80 Crore in 2000-01, Rs. 0.69 Crore in 2001-02 and Nil in 2002-03, constituting 5.73% of the total sanction in 1999-2000, 4.85% in 2000-01, 2.84% in 2001-02. UPFC sanctioned Rs.1.68 Crore for 2 units in 1999-2000, Rs.2.75 Crore for 7 units in 2000-2001, Rs.1.30 Crore for 4 units in 2001-02, comprising 2.56% of its total sanction in 1999-2000, 2.57% in 2000-01, 0.87% in 2001-02, while MPFC sanctioned Rs. 1.30 Crore for 3 units comprising 1.56% of the total sanction in 1999-2000, Rs. 11.07 Crore for 16 units in 2000-01. amounting to 10.25% in 2000-01, Rs 4.64 Crore for 7 units in 2001-02, constituting 4.71% and Rs. 12.44 crore for 25 units constituting 11.62%.

Besides modernisation, expansion assistance in the existing loan of business was also sanctioned to make best possible use of scarce resources. MSFC sanctioned Rs.27.35 Crore, Rs. 20.84 Crore, Rs.6.24 Crore respectively in 1999 till 2002, constituting 48.84% of the total sanctions in 1999-2000, 26.63% in 2000-01, and 26.42% in 2001-02. Uttar Pradesh sanctioned Rs.
17.53 Crore for 51 units in 1999-2000, Rs. 25.38 Crore for 90 units in 2000-01, Rs. 45.74 Crore for 152 units in 2001-02 and Rs. 51.21 Crore for 131 units constituting 26.71%, 23.68%, 29.96% and 26.06% of the total sanctions in all these years, while MPFC sanctioned for expansion of the existing units Rs.25.77 Crore for 73 units in 1999-2000, Rs. 13.33 Crore for 44 units in 2000-01, Rs. 32.15 crore for 56 units 2001-02 and Rs.10.36 Crore for 26 units in 2002-03 comprising 31.03%, 12.35%, 32.62% and 9.68% of the total sanctions respectively in all the four years understudy from 1999-2003.

Besides above it is mandatory for all the industrial units to obtain the approval of Pollution Control Board, before loan disbursement which, on one hand helps in protecting our environment and, on the other hand in reducing consumption of energy/power by these units.

Thus it is obvious from the above that MPFC by providing highest assistance both in terms of amount as well as number of units for modernisation of existing units is making adequate efforts to ensure optimum utilisation of scarce resources. In this respect the performance of UPFC has been poorest amongst three SFCs, while it is consistent in providing loan for expansion in contrary to the other two SFCs, whose contribution is declining.

4.5 DEVELOPMENT OF RELATIONSHIP WITH ENTREPRENEURS-

Development of relationship with entrepreneurs will result in advancement of SFC's activities/business and building up goodwill and confidence amongst the entrepreneurs, who are the crux and center point, for the functioning of the SFCs.

In order to maintain close relationship with entrepreneurs the personnel of MSFC very frequently visit assisted units but sometimes these visits are to find out specific problem of the assisted units. Even on such visit MSFC
officials try to develop cordial relationship with entrepreneurs. It also felicitates those entrepreneurs who made timely payment of principal and interest.

The situation however in UPFC and MPFC is very similar. The corporations have taken some image building initiatives like appointment of task managers, initiating entrepreneurs counselling programme, putting accounts on E-Mail, across the table discussions with entrepreneurs.

To create goodwill amongst good borrowers, in functions organised in various regional offices, UPFC is also tying up with various other government agencies to solve teething problems of industries to help for creating larger number of healthy industries and good relationship with entrepreneurs UPFC officials do not participate in the programmes organised by Rotary/Lions Clubs. It was found that relationship of UPFC officials and entrepreneurs based on the vested interest of both. and, the same situation is held in Madhya Pradesh Financial Corporation.

4.6 MONITORING OF PROJECTS DURING IMPLEMENTATION AS WELL AS OPERATIONAL STAGE

It is very necessary for a financial institution to monitor the project during implementation stage in order to enable the financial institutions besides ensuring proper utilisation of capital, recovery of dues from assisted unit along with interest. Since the performance of assisted unit is bound to affect the performance of SFCs, it is essential for them to continuously monitor the project at implementation and operational stages and extending necessary help wherever necessary.

The monitoring of projects during implementation and operational stage by SFCs is done on the basis of reports received from assisted units.
Assisted units are expected to send the report about progress of the project regularly.

MSFC has adopted a good policy to keep a watch on the assisted units. Staff members of MSFC carry out inspections at borrowing units and prepare reports on the performance of assisted units. These units on one hand develops close contact with entrepreneurs and on the other hand help in identifying problems of assisted units and suggesting suitable remedial measures to them.

In UPFC post sanction progress of cases has been received weekly at highest level so that delays are minimised. Regular monitoring mechanism was set up, to review cases pending sanctions, and also sanction cases pending for legal documentation and disbursement resulting in sharp disbursement of loans.

Customer’s Relationship Management was initiated by appointing task managers for the loans above Rs. 20 lakhs. This was to ensure timely implementation of the projects with responsibility of timely recovery.

In MPFC, officials, visiting assisted units, do the monitoring of project. Entrepreneurs are called at MPFC to personally discuss the problems faced by their units and suggesting suitable remedial measures to them.

The SFCs as part of their development activity may assume responsibility for development infrastructure, social utilities and maintain close liaison with the development institution of the state like liaison with Electricity Board and other agencies engaged in providing infrastructural facilities for eg. water transport etc. But this relationship is very poor in case of all the SFCs. There is no direct involvement of the three SFCs in the development of infrastructural facilities like water, electricity.
It is not possible to ensure industrial development of the country without adequate number of people with entrepreneurial capabilities who can ensure optimum utilization of source resources available in the country. Being an important Corporation of the state, SFCs are expected to actively participate for development of entrepreneurship and its dispersal in the state and providing requisite motivation, to people of their state to come forward for obtaining loan, and state their own industrial unit with more emphasis on relatively backward regions.

Unfortunately UPFC and MPFC have not made much efforts in the development and dispersal of entrepreneurship in their states. UPFC sends its new entrepreneurs to existing financed units of same product line for acquainting themselves with the functioning of industrial units. It is taking EDPs very casually and as routine matters, but it has separate guidance cell for guiding entrepreneurs from stage of submission of project proposal to its final implementation. Only MSFC has made substantial contribution in making people aware of its programmes due to the basic reason that there are more alternative arrangements of finance in the state and to survive, MSFC has no alternative but to make entrepreneurs away of various schemes and policies of the Corporation.

In respect of promotion of 100% Export Oriented Units, UPFC has made marginal contribution of sanctioning seven units for Rs. 4.61 Cr. during the period 1999 to 2003. MSFC and MPFC have not sanction any loan to 100% Export Oriented Units, but has assisted units engaged in export business.

In order to ensure optimum utilization of scarce resources like power, material etc. The SFCs have sanctioned loans for modernization of existing units. For assistance to such units UPFC and MSFC has shown declining
tendencies while MPFC is putting in more efforts on modernisation front. On the expansion side UPFC is consistent in going for an expansion programme while both MSFC and MPFCs contribution towards expansion shows a dipping graph.

Development of relationship with entrepreneurs results in advancement of SFCs activities and builds up goodwill and confidence amongst the entrepreneurs. All the three corporations have been taking care of this relationship quite seriously by felicitating the customers who make timely payment; tying up with other government agencies to solve teething problems of the industries to create healthy industries. UPFC in addition to the above have taken some image building initiative like appointing task managers and entrepreneurs counseling programmes.

Finally, monitoring of projects during implementation and operation stage by SFCs is done on the basis of keeping a close watch, receiving reports of progress from the units, discussing the problems face by them and suggesting suitable remedial measures to them.