

# **“Role Played by KSFC in Industrial Development: A Study on Bijapur District”**

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## **Abstract**

The Karnataka State Financial Corporation was established in the year 1959 under the State Financial Corporation Act 1951, with the basic objectives promoting and developing small scale industries in the State of Karnataka. The Corporation gives special attention to the back ward Districts to bring about balanced growth of industries in the State. The Corporation is owned by the State Government jointly with SIDBI and they are functioning under the Administrative control of the State Government. The Corporation has branches all over the State to cater to the requirements of the entrepreneurs. KSFC provide term loans to SSI for growth and development of SSI. This study focus on Bijapur District. The main purpose of the study is to analyze the Role of KSFC in promoting and rendering financial assistance to SSI. The present study is based on secondary data.

**Key words:** SSI, KSFC, SIDBI and financial assistance.

## Introduction

Karnataka state financial corporation I a State level financial institution established by the State Government in the year 1951 under the State Financial Corporation Act 1951 to cater to the long term financial needs of small and medium enterprises (SME) in the State of Karnataka.

During the 46 years of its existence, KSFC has contributed significantly to the growth of SSIs, development of backward regions and promotion of first generation entrepreneurs in the State, Since inception KSFC has assisted more than 1,55,000 units with cumulative sanction of over Rs.7400 crore. Nearly 50% of the assistance is availed by SSIs. The Corporation has also extended sizeable assistance to infrastructure projects, mining, services sector like transport, hospitals, hotels, professionals etc.

KSFC, an ISO 9001:2000 certified organization has played a major role in the industrial development of Karnataka.

## Definitions of Micro, Small & Medium Enterprises

In accordance with the provisions of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, the Micro, Small and Medium Enterprises (MSME) are classified into two Classes:

**Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951. The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery.

a	Micro enterprises	Where investment in plant and machinery does not exceed Rs.25.00 lakhs
b	Small enterprises	Where the investment in plant and machinery is more than Rs.25.00 lakhs but not exceeding Rs.5.00 crores.
c	Medium enterprises	Where the investment in plant and machinery is more than Rs.5.00 crores but does not exceed Rs.10.00 crores

**Service Enterprises:** The enterprises engaged in providing or rendering of services defined in terms of investment in equipment.

a	Micro enterprises	Engaged in providing services where the investment in equipment is not more than Rs.10.00 lakhs.
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b	Small enterprises	Engaged in providing services where the investment in equipment is more than Rs.10.00 lakhs but does not exceed Rs.2.00 crores
c	Medium enterprises	Engaged in providing services where the investment in equipment is more than Rs.2.00 crores but does not exceed Rs.5.00 crores

### **Inception of the KSFC**

Financial institution play very important role in the economy of any country. These institutions facilitate covenant and effective channels of savings and investments, in a developing country like India, the role of these institutions becomes more pronounced in order to achieve rapid economic growth. Considering the need for such institutions, Industrial Financial Corporation of India (IFCI) was setup in 1948.

At the same time it was felt that there is necessity to establish similar institution with a view to assisting smaller industries in different state needs of all the same concerns sprawled all over the country.

Karnataka State Financial Corporation was established by the government of Karnataka on 30th March 1959 under the provisions of SFC at 1951 passed. All along, KSFC has played a pioneer role in the development of micro and small scale enterprises in the state of Karnataka. It has fulfilled the objectives of developmental lending such as industrialization of backward areas, assistance to weaker sections, promoting first generation entrepreneurs, assistance technocrats and women, several units, which received start up assistance from KSFC have today become large industrial conglomerates. By now there are 18 SFC's functioning in the different states of the Indian union, these institution are closely modeled on the lines of IFCI, but different in the scope of their activities.

### **Review of Literature**

A few volume of literature available on the aspects of small-scale industries has been studied at length. A brief review of such important studies is made here.

Anilkumar B Kote AND Chaya K. Degaonkar ( Dec 2013 ) The study reveals that the KSFC's technical and need-based action has given impetus and injected new life into a number of software technology parks, call centers, pharmaceutical companies, engineering industries, health care, hospitality, textile industries and small enterprises like rice mills. KSFC has also introduced attractive schemes to promote recreation-clubs, tourist centers and convention hills. KSFC has been recognized as one of the first financial institutions to implement the MOFPI scheme for sanctioning grants and subsidies to the food processing sector.

Srinivas K.T. (April 2013) the present research work is undertaken to analyze the financial statements of KSFC. Present study also made an attempt to examine movement of NPA at KSFC.

To 

<b>year</b>	<b>No. Of Units</b>	<b>Amount(in Lakhs)</b>
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 achieve the aforesaid objectives

data is gathered from annual reports of KSFC and used ratio analysis techniques for data analysis. From the present study it is found that Net profit ratio of the KSFC is satisfactory and KSFC not taken appropriate measures to minimize operating expenses to maximize the wealth of the corporation. And it is also found that the Percentage of NPA over the period of time is decreasing and it is satisfactory.

O.S Aremu (2011) this study attempts to empirically ascertain the impact of Microfinance institution on small scale enterprises in Nigeria. Positive and significant relationship has been established between microfinance institutions loans and small scale performance. The study confirms the positive contributions of microfinance institutions loans towards promoting small scale enterprises market share, Production efficiencies and competitiveness.

Purusottam Nayak (2004.) The present paper in this regard is an attempt to examine the role of financial institutions in promoting small scale and tiny industries in terms of growth of entrepreneurs, enterprises and its contribution to State Domestic Products.

Akingunola, (2011) this indicated that there is significant positive relationship between SMEs financing and economic growth in Nigeria via investment level. Descriptive statistics were also used to appraisal certain financing indicators. The paper later proffer that accessibility to relative low interest rate finances should be provided to small and medium enterprises in Nigeria in order enhance economic growth.

**Objectives of the Study:**

1. To understand the concept of SMEs and their financial requirements.
2. To study the financial assistance provided by KSFC to SMEs and other sectors.
3. To offer suggestions based on findings of the study.

**Scope of Study and Research Methodology**

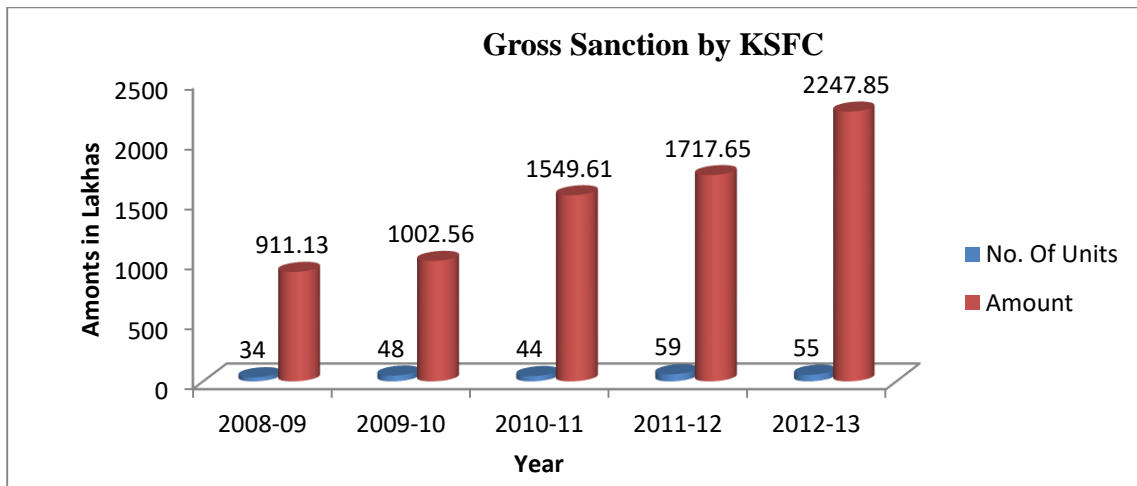
The present study is confined to KSFC in bijapur district and the data will be analyzed based on the information obtained from KSFC. And data will be collected for the period of five years financial assistance provided by KSFC to industrial development. Data has been collected from KSFC annual reports, Research Journals and other documents etc.

**DATA ANALYSIS**

2008-09	34	911.13
2009-10	48	1002.56
2010-11	44	1549.61
2011-12	59	1717.65
2012-13	55	2247.85

**Table No. 1: Gross Sanction by KSFC with no of enterprises from 2008-09 to 2012-13**

(Amount in Lakhs)



The above table indicates that the gross sanctions was Amt 911.13Lakhs to promote 34 units during 2008-2009, Amt. 1002.56Lakhs to promote 48 units during 2009-2010, Amt. 1549.61Lakhs to 44 enterprises in the year 2010-2011, again it increased to Amt. 1717.65Lakhs to 59 enterprises in 2011-2012, and 2011-2013 it slightly decreased to Amt. 2247.85Lakhs to 55 enterprises.

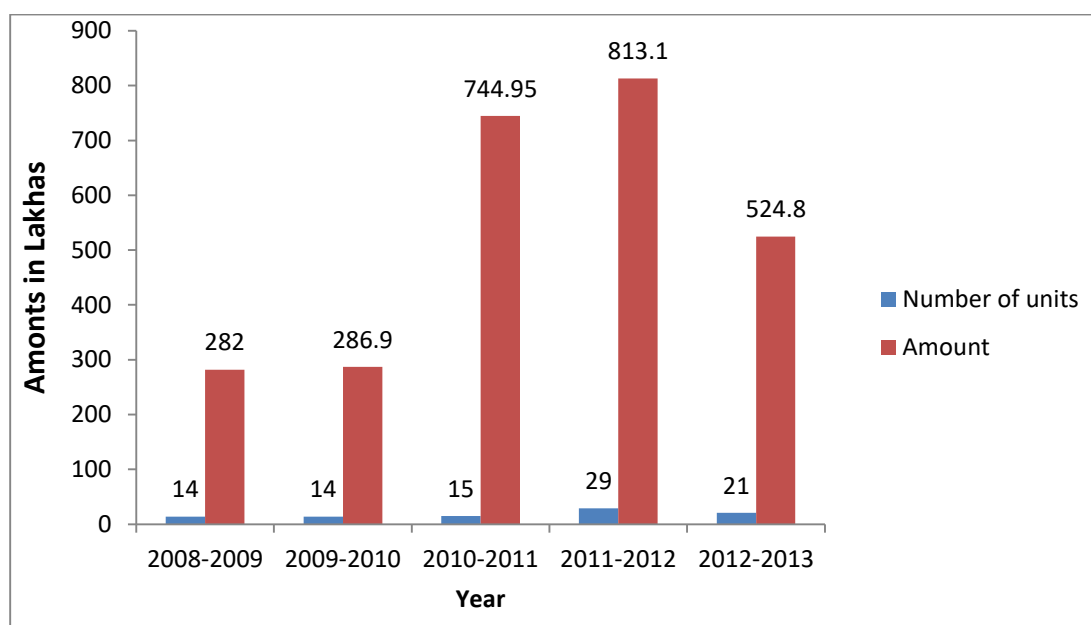
It can be inferred generally, there is a continuous increase in gross amount sanctioned during all the years. KSFC from its inception promoted 240 units by financing Amt 7428.8 Lakhs over the last 54 years. The above graph depicts total enterprises promoted by KSFC from 2008-2009 to 2012-2013 with investment. It can be seen that during 2012-13 maximum number of enterprises promoted with good amount of investment.

**Table 2: Table showing financial assistance to SME with number of units by KSFC from the year 2008-2009 to 2012-2013**

Year	Number of units	Amount((in Lakhs)
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2008-2009	14	282.00
2009-2010	14	286.90
2010-2011	15	744.95
2011-2012	29	813.10
2012-2013	21	524.80

(Amount in Lakhs)



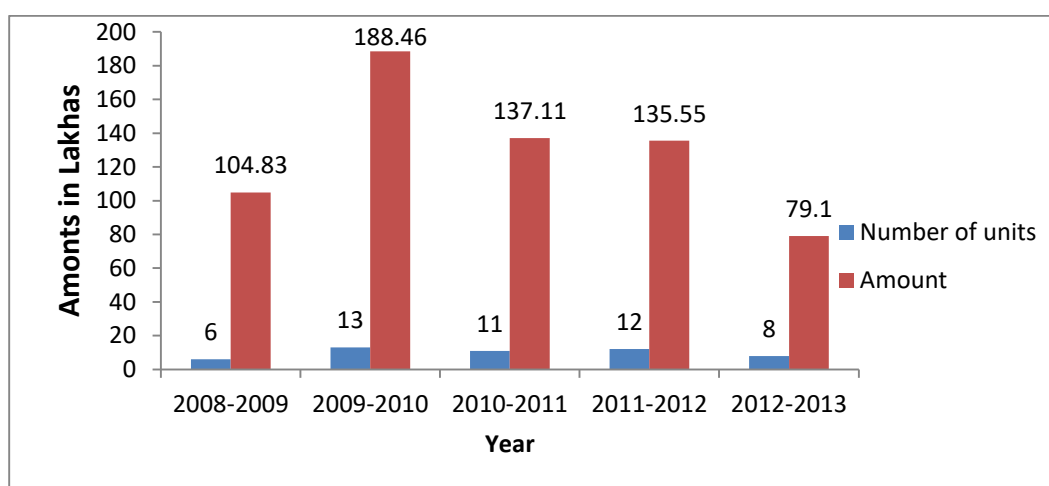
The above table depicts financial assistance to small scale enterprises. During the Financial year 2008-2009 KSFC promoted 14 enterprises by lending 282.00 Lakhs, During 2009-2010 14 enterprises promoted by financing 286.90 Lakhs of amount, 2010-2011 the sanction were made to 15 small scale enterprises that is 744.95 Lakhs. This is gradually increased to 29 enterprises that is 813.10 Lakhs in the financial year 2011-2012 and in the financial year 2012-2013 it is slightly decreased to 21 enterprises but the amount sanctioned is higher when compared to the previous year 2010-2011.

It can be inferred that there are a little fluctuation in financial assistances to small scale enterprises, but there is increase in amount sanctioned to small scale enterprises in the first 3 years but during the year 2012-2013 it has made less sanctions when compared to 2011-2012. It may also indicate that, only these enterprises were selected by the corporation for the financial assistance during the previous year. And number enterprises and amount is increased during 2011-2012.

**Table3. Table showing financial assistance to transport by Karnataka State Financial Corporation in Bijapur district from year 2008-2009 to 2012-2013**

Year	Number of units	Amount(in lakhs)
2008-2009	6	104.83
2009-2010	13	188.46
2010-2011	11	137.11
2011-2012	12	135.55
2012-2013	8	79.10

(Amount in Lakhs)



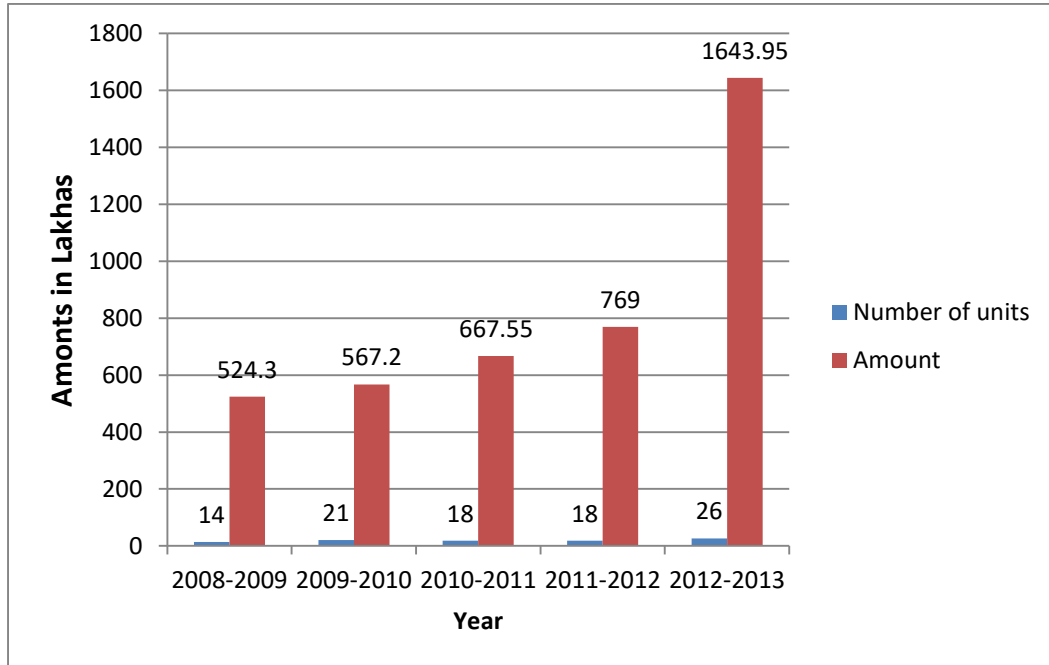
The above table depicts financial assistance to transport by Karnataka State Financial Corporation in Bijapur district .in 2008-2009KSFC has sanctioned amount 104.83 Lakhs to 6 transports, in 2009-20010 it rapidly increased to amount 188.46 Lakhs to 13 transports, in 2010-2011 it decreased to 11 transports, and the sanction amount decreased to Amt. 137.11 Lakhs, but in 2011-2012 it increased to Amt. 135.55 Lakhs made to 12transports .during 2012-2013 8 transportations units got financed by KSFC with an amount of 79.10Lakhs.

It can be inferred from the above graph KSFC promoting good numbers of transportation in state of Karnataka. If we look at the graph investments on transportation is gradually increasing over the period of time. As we everyone aware that good transportation is very imperative for the growth of any state, in this way KSFC is in right direction.

**Table4: Table showing financial assistance to others sectors by Karnataka State Financial Corporation in Bijapur district from year 2008-2009 to 2012-2013.**

Year	Number of units	Amount (in lakhs)
2008-2009	14	524.30
2009-2010	21	567.20
2010-2011	18	667.55
2011-2012	18	769.00
2012-2013	26	1643.95

(Amount in Lakhs)



The above table depicts financial assistance to others sectors. In 2008-2009 KSFC has sanctioned Amt. 524.30 Lakhs to 14 service sectors, in 2009-2010 it increased to Amt. 567.20 Lakhs to 21 service sectors, and in 2010-2011 it swiftly decreased to 18 service sectors and the amount increased to Amt. 667.55 Lakhs. In 2011-12 the sanctioned decreased to 18 service sectors but the amount is higher when compared to previous year 2011-12 that is Amt. 769.00 Lakhs. In 2012-2013 KSFC investment on other sector is 1643.95 Lakhs to 26 enterprises.

It can be inferred from the above graph KSFC promoting good numbers of other sector in state of Karnataka. If we look at the graph investments on service sectors is gradually increasing over the period of time. As we everyone aware that good service sector is very imperative for the growth of any state, in this way KSFC is in right direction.

### Conclusion

Financial Assistance to Small and Medium scale Enterprises plays a vital role because Small and Medium scale Enterprises have been considered as the engine of Economic growth. It encourages the new entrepreneurs by providing them the loans and helping their dreams to be alive and come true.



Karnataka State Financial Corporation has promoted many enterprises and helped newly emerging entrepreneurs to develop their plan towards their objectives and implement it, which also help in economic growth of the country and it also provides employment opportunities to many people. KSFC also gives suggestion to the enterprises which have taken financial assistance from KSFC at the initial stage and it also provides working capital loan to the enterprises.

KSFC financial assistance should be reached to semi-urban and rural segments also to achieve balanced regional development. KSFC should try to finance for Knowledge intensive industry like IT, ITES, Nano technology, clean technology, health care and life science etc for the growth not only manufacturing and service sector along with this KSFC should try to promote Agro based industries, banking etc. service industry contributes more than 60% to GDP where as KSFC's lending to service sector has decreased, so they should to contribute more and more to service sector. For the regional balance development it should also concentrate on medium scale enterprises instead of concentrating only on small scale enterprises.

The SME sector is the backbone of the economy in high-income countries. So India as a developing country has to undertake various measures or techniques to encourage and assist the new entrepreneurs and the enterprises by providing them the financial assistance through various Financial Institutions.

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