



CHAPTER 1

INTRODUCTION

INTRODUCTION AND OVERVIEW OF THE SYUDY

Amendments to the SFCs' Act provide for extending wide ranging scope of assistance and operational flexibility. Keeping this in view, SFC has re-engineering itself to ensure utmost customer satisfaction with new energy, trust and speeds.

In the 52 years of its existence, KSFC has contributed most significantly for the growth of SMEs, backward area development and promotion of first generation entrepreneurs. The achievement in this area is unparalleled.

Since inception, KSFC has assisted more than 1.60 lakh units with cumulative sanction of more than Rs.9, 700 crores out of which about than 50% is towards SMEs. Karnataka is one amongst the industrially development state in the country. The state has all potential to stand out on the fore front and has been focusing on development of industries, trade and service sectors.

S.S.I constitutes an important and crucial segment of industrial sector. Growth of S.S.I sector has been a cordial feature of Indian Industrial policy. SSI's in India have given a distinct identity and the government has accorded high priority to this sector. SSI played a very vital role in creating employment opportunities, equitable distribution of national income, regional dispersion of industries, mobilization of capital and entrepreneurial skills. It has emerged as a dynamic and volatile sector of the Indian economy.

After the industrial revolution there is a wide change in the economy that more prominence has been given S.S.I's government has also introduced several schemes that could be assisted to SSI's. The study is related to the pattern of loan schemes i.e. types sanctioned (promoted or given) to SSI. SSI covers wide range of enterprises with diverse characteristics these are tiny or micro enterprises on one hand and these are sophisticated to the SSI.



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

THE DEFINATIONS OF DIFFERENT CATEGORIES FOR THE PURPOSE OF BANK FINANCE ARE AS FOLLOWS:

- ✓ **Small scale industrial undertaking** They are those that are engaged in the manufacture, processing input to the large sector industries, which has made investments up to 5 crores, on its, plant and machinery or which has employed
- ✓ **Ancillary, industrial undertakings** less than 50 labourers sin its victory. It also includes mining or quarrying, servicing or repair etc. These are industrial undertaking which are engaged in manufacturing or production of components, spare parts, tools or rendering services or purpose to supply or render not more than 50% of its production or services as the case may be to one or more other industrial undertakings. And whose investments in fixed assets or plant and machinery whether held on ownership terms or on lease or hire purchase does not exceed Rs.3 crores are to be classified as S. S.I.
- ✓ **Tiny Enterprises** These are those whose investment in plant and machinery is up to 251akhs irrespective of the location of unit.
- **Small scale services business enterprises (SSSBFS)** These are having investment in fixed asset (Excluding land and building) up to 251akhs and registered such are also classified as SSI for the purpose. As illustrative list of activities covered under SSSBE'S is given activities not treated as SSSBE'S.
- ✓ **The decentralized sector** It includes artisans, khadi and village industries, handlooms, sericulture, handicrafts, coir etc, which have been categories or village industries under the government of Indian's new SSI policy.
- ✓ **Artisans village and cottage industry** It is a defined as "Artisans or small industrial activities (i.e. manufacturing, processing, with a population not exceeding 50000 involving utilizing of locally available natural resources



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or human skills whose individuals credit requirement do not exceed Rs. 50000.)

- **Women Enterprises** These are those small scale units where one or more women entrepreneurs have not less than 51% financial holdings.
- **Export oriented units** An export oriented unit is one, investment in plant and machinery not exceeding Rs.751akhs. The units should undertake to exploit at least 30% of the annual production by the end of the 3rd year from the date of commencing production.
 - ✓ **Small SSI units** It includes cottage, khadi, village artisans and tiny industries. Whose investment on plant and machinery not exceed Rs.5 lakhs.

LIST OF PRODUCTS RESERVED FOR SSI UNITS:

- Totally there are 825 products reserved.
- Food and allied products Ice cream, pickle, rice milling, Dot milling, bakery products, biscuits poultry feed, groundnut oil etc.
- Textile products Cotton cloth knitted, cotton vests knitted, cotton socks, knitted woolen cloth, woolen laps.
- Wood products Wood creates tea chest plywood, tent poles, plough bamboo, cupboard, shelves etc.
- Paper products Waxed paper, gummed tape, paper canes, paper tubes, paper cups/plates, paper bags, decorative papers etc.
- Leather products Sole leather, leather shoes, leather garments leather novelties harness shoes etc.
- Rubber products Rubber, threads, erasers etc.
- Plastic products Polythin bags, tarpauls.



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INDIAN FINANCIAL SYSTEM:

The financial system consists of a variety of institutions, markets and instruments that are related in the manner. It provides the principal means by which saving are transformed in to investments. Given its role in the allocation of resources, the efficient functioning of the financial system is one Critical importance to a modern economy.

FUNCTIONS OF FINANCIAL SYSTEM:

The financial system performs the following interrelated functions that are essential to a modern economy.

- It provides a payment system for the exchange of goods and services.
- It enables the providing of funds for undertaking large-scale enterprises.

- It provides a mechanism for spatial and temporal transfer of resources.
- It provides a way for managing uncertainty and controlling risk.
- It generates information that helps in coordinating decentralized decision making.
- It helps in dealing with the problem of informational asymmetry.

PAYMENT SYSTEM:

Depository financial intermediaries such as banks are the pivots (players) of the payment system Credit card companies play a supplementary role.

POOLING OF FUNDS:

Modern business enterprises require large investments, which are often beyond the means of an individual or even of hundreds of individuals or even of hundreds of individuals or even of hundred of individuals. Mechanisms like financial markets and financial intermediaries, which are an integral part of the financial system, facilitate the pooling of household savings for financing business.



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TRANSFER OF RESOURCES:

The financial system facilitates the transfer of economic resources across time and space. As Robert Merton says “A well-developed, smooth-functioning financial system facilitates the efficient lifecycle allocation of physical capital to its most-productive use in the business sector”.

“A well-developed, smooth functioning capital market also makes possible the efficient separation of ownership from management of the firm .This in turn feasible efficient specialization in production according to the principal of comparative advantage.

RISK MANAGEMENT:

A well developed financial system offers a variety of instruments that enable economic agents to pool, price, and exchange risk. It provides opportunities for risk pooling and risk sharing for both household and business terms.

Price information for Decentralized Decision-Making Apart from the manifest function of facilitating individual and business to trade in financial assets, financial markets serve an

Important latent function as well.

Coping with informational asymmetry when one party to a transaction has information that the other does not have, information asymmetry exists. This leads to the problems of moral hazard and adverse selection, which are broadly referred to as agency problems.

FINANCIAL INSTRUMENTS:

Financial Instruments, financial institutions, and financial markets are closely interrelated and it is difficult to separate them. However, for pedagogic convenience we discuss them one by one. Financial instruments range from the common (coins, currency notes, demand deposits, cooperate debentures, gift edged securities, and equity shares) to the more exotic (futures and options).



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FINANCIAL INSTITUTIONS:

The primary role of financial institutions is to serve as an intermediary between Lenders and borrowers, financial institutions in the organized sector under the overall surveillance of the reserve bank of India.

RATIONALE FOR FINANCIAL INSTITUTIONS:

What is the rationale for financial institutions? Put differently, what are the benefits to individual investors when they invest indirectly through financial institutions rather than directly in operating companies? It seems that there are several advantages- o Diversification!

The pool of funds mobilized by a financial institution is invested in a broadly diversified portfolio of assets (stock, bonds, money markets, instruments and loans.

Lower transaction cost:

The average size of a transport institution is much higher than that of an individual investor. The transaction cost, in percentage terms tends to decrease as the transaction size increase, Economies of scale Buying and holding securities (or for that matter granting loans and supervising them) calls for information gathering and processing and regular monitoring, these functions entail cost, Confidentiality Companies seeking funds or the continuing support of existing investors are required to disclose information that they like to keep confidential for competitive reasons. They would feel more comfortable in dealing with few Financial institutions rather than numerous individual investors.

Signalling:

With greater professional expertise at their command, financial institutions can pick up interpret signals and cues provided by operating companies more efficiently? Hence they can offer better terms of operating companies, which are likely to gravitate to them.



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RESERVE BANK OF INDIA:

The Reserve Bank of India (RBI) being the Central banking authority is at the apex of the Indian financial system. Established in 1935, it became a government owned institution from 1949 under the Reserve Bank Act 1948. Under the central government is empowered to issue directions to the RBI, after consulting with the RBI governor. The RBI performs the following traditional functions of the central banking authority.

- * It formulates and implements monetary and credit policies, o It functions as the banker's bank.
- * It manages the liquidity reserves of the credit institutions and supervises their operations.
- * It plays an important role in maintaining the exchange value of the rupee.
- * It controls payments and receipts for traditional trade and regulates other foreign exchange transactions.
- * It seeks to integrate the unorganized financial sector with the organized financial sector.
- * It encourages the extension of the commercial banking system in the rural areas,
- * It promotes the development of new institutions.

COMMERCIAL BANKS:

Commercial banks represent the most important institutions in the financial system. The largest commercial bank in India, the State Bank of India (SBI), was set up in 1955 when the imperial bank was nationalized and merged with some banks of the princely states. In 1969, in one fell swoop, the fourteen largest privately-owned commercial banks were nationalized. As a result of these actions public sector commercial banks, which today are twenty-eight in numbers, virtually dominate the commercial banking scene in the country.



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The nationalized and greater government control over the major banks was aimed at,

- Reducing the influence of business housed on banks.
- Preventing misuse of the resources of banks.
- Achieving a wider spread of bank credit.
- Directing larger flow of credit to priority sector.
- Making banks more effective instruments of progress.

DEVELOPMENTAL FINANCIAL INSTITUTIONS:

Since independence a number of developmental financial institutions have been up to primary cater to the long-term financing needs of the industrial sector. An elaborate structure of financial institutions consists of three all India term-lending institutions. State Financial Corporations, and state industrial and Development Corporations have come into being. Due to the importance given to the small - scale sector, the government established the small industries Development Bank of India (SIDB) in July 1989. It is a subsidiary of IDBI and functions as the chief refinancing agency for the small-scale sector.

INSURANCE COMPANIES:

There are two insurance companies in India- the Life Insurance Corporation (LIC) of India and General Insurance Corporation (GIC) of India.

The life insurance corporation of India, which provides life insurance, has massive resources at its command due to two reasons.

- Insurance policies usually incorporate a substantial element of savings and
- Insurance premiums are payable in advance.

The subsidiaries of the General Insurance Corporation of India, which are engaged in the business of property insurance, too have considerable resources with them because of the advance collection of insurance premiums.



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NON BANKING FINANCIAL CORPORATION:

From the mid-eighties many non-banking financial corporations have come into being in the public sector as well as the private sector. Numerically, of course, most of them are in the private sector. Some of the well known non-banking finance corporations are SBI capital markets, Kotak Mahindra Finance, Sundaram Finance, and infrastructure leasing and finance corporation.

Non-banking financial corporation's engage in a variety of fund-based as well as non-fund based activities. The principal fund based activities are leasing, hire purchase, and bill discounting; the main non-fund based activities are issue of management, corporate advisory services, loan syndication, and forex services.

STATE LEVEL INSTITUTIONS:

The government of India has given permission to the State Government to establish the financial institutions. But, it will work under the guidelines of the Reserve Bank of India. So many states established so many financial institutions. Karnataka also established some financial institutions to develop agriculture and industry.

Some of the important state level financial corporations are as follows-'^

- Gujarat State Financial Corporation.
- Maharashtra State Financial Corporation.
- Karnataka State Financial Corporation.
- U.P State Financial Corporation.

IMPORTANT LOAN SCHEMES OPERATED BY KSFC:-

General scheme:

The corporation extends financial assistance for new enterprises to establish SSIs/MSI/service units and for expansion, modernization, diversification etc., by the existing units to meet a part of cost of land, building, plant and machinery and other fixed assets.



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Single window scheme (SWS):

This loan scheme is for providing assistance to new tiny and small units whose project cost (excluding working capital margin) does not exceed Rs.50.001akh and the total working capital requirement at the normal level of operation is up to Rs.20.001akh. Term loan for fixed assets and term loan for working capital is fixed based on the debt equity ratio of 2:1 for loans above Rs. 10.001akh.

Corporate loan scheme (CL):

The objective of the scheme is to extend short-term loans to the existing successful units who require urgent working capital funds either to meet the gap in the working capital requirements or funds required for executing the rush of orders. This loan is also considered

for developing/expanding new markets and opening LC for purchase of new equipments till term loan is sanctioned and released. The repayment period does not exceed 30 months including moratorium period of 6 months. The corporate loan is restricted normally to the manufacturing sector.

Rental discounting scheme:

The objective of the scheme is to provide financial assistance on the strength of the future rentals to be earned by non residential properties located within the city and municipal limits of Bangalore, Mangalore, Hubli - Dharwad, Gulbarga, Shimoga, Bhadravathi, Mysore and Belgaum subject to gross rent earnings of not less than Rs.25000/- per month.

MAIN INDUSTRIAL ACTIVITIES IN KOLAR:-

The main industrial activities which are undertaken in Kolar \district and which are ably by KSFC. According to infrastructural facility and human resources available are us under,

- Silk Reeling
- Twisting and weaving
- Tiles and brick manufacturing



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- Stone jelly and polishing
- Granite cutting and polishing
- General engineering
- Rice and oil mills
- Poultry
- Chemical industry Auto mobiles.

PURPOSE OF ASSISTANCE:-

The corporation extends financial assistance for acquiring fixed assets like land, building, plant & machinery and miscellaneous assets required for the project. However, the corporation also extends working capital under single window scheme to new units and corporate loan to the existing good units to meet short-term gap in working capital requirements.

NETWORK:-

KSFC has a decentralized system of working. KSFC has a good network of offices in the state. Each district has a branch office. In all, KSFC has 7 zonal offices, 29 branch offices and 01 field office spread all over the state besides the Head office located at Bangalore.

KSFC KOLAR BRANCH:-

The state Government of Karnataka has set up: KSFC in the state level financial institutions at each district. The Kolar branch was established in the year 1985 under the state financial Act 1951, to meet mainly the long term financial needs of small and medium enterprises in the state of Karnataka.

KSFC Kolar branch has been playing a pivotal role in the development of small and medium scale industries in the District of kolar for the last 26 years of its existence. Kolar branch is an 'A' Grade branch office and located in SLN complex, Near KSRTC Bus stand, M.B, Road kolar-563101. In the year 1985, 8 members working, Now 23 members are working in this branch. The role played by the state government in providing Financial assistance to the district of kolar is vital in the development of Infrastructural and other industries activities, especially the role



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played by the played called “KSFC, AN ISO 9002”.Is vital in the development of Kolar district.

Today while the state economics is making rapid strides in the global market. KSFC is moving in tandem as a pioneering and responsive financial institution. KSFC is fine tuned to fulfil the -plans and aspirations of the entrepreneurs of kolar district by extending all possible assistance.

Kolar district is a land of silk, milk and vegetables consisting of five taluks, located in southern part of Karnataka State nearly about 67 Kms from the capital city Bangalore. Though location is close to the highly developed industrial Center, The benefits of industrial development of Bangalore have not influenced the kolar district in the industrial field due to lack of proper infrastructural facilities, resources, technical expertise, human resources and entrepreneurship among the local persons and communication facilities. Though the infrastructural and other drawbacks, in order to achieve the desired growth in the field of industrial development.

“A perspective plan 2001-2006 has been prepared indicating the potential industries in kolar, based on resources available such as agriculture, horticulture, forest, minerals, animal husbandry and human resources. Emphasis is also been given for the development and the analysis has been made on the bottleneck and step to take to overcome the difficulties and problems in the way of industrialization.

TIME FRAME FOR PROCESSING SANCTIONS:-

New loans up to Rs.35.001akh	21days	Branch office
New loans up to Rs.60.001akh	30days	Branch office
New loans up to Rs.75.001akh	45days	Branch office
New loans up to Rs.500.001akh	60days	Head office



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APPLICATION FORMS FOR LOAN:-

Loan application forms are issued after the proposal is cleared. For loans proposals Rs.75.001akh Branch offices will issue the application forms. For the loans Proposals above Rs.75.001akh, loan applications are issued after obtaining prior approval from the head office.

DISBURSEMENT OF LOAN:-

Loans are disbursed after the promoter brings in stipulated equity / contribution from his side as stipulated in the terms of sanction & after properties are mortgaged / hypothecated as per terms of loan & guarantee deeds executed. The extent of disbursement will be in proportion to the investment made on land, building & machinery. The release towards machinery will be either after issuing a commitment letter to machinery supplier at 0.5% of loan + applicable service tax, before disbursement.

LOAN REPAYMENT:-

The loans are normally repayable in 5 to 7 years with a moratorium of 1 to 2 years depending on Debt service coverage ratio (DSCR). The repayment will be in monthly / quarterly installments.



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LOANS TYPES:-

SL NO	CATEGORY OF BORROWERS/LOANS	INT RATES
1	<ul style="list-style-type: none">➤ All term loans (including WCTL) to MSMEs, Working capital term loan.➤ Acquisition of ISO accreditation, international organization for standardization.➤ SRTO's and acquisition of private vehicles, small road transport operators.➤ Tourism related activities- Amusement parks, restaurants,➤ Travel and transport, tourist service agency, hotels and restaurants, mobile canteen/catering, resorts, service apartments.➤ Health care services- Assistants to doctors/ qualified medical practitioners, nursing homes/hospitals, electro medical equipment.➤ Assistants to qualified professionals- Management➤ Professionals, medical professionals, accounting professionals, architects and engineers, veterinary clinics.➤ DG sets, mobile generators.➤ Godown/warehouse and convention centers.➤ Office automation.➤ Training institutes.	14.00%



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NOTES TO THE ABOVE INTEREST RATE:-

STRUCTURE REBATES AND CONCESSIONS:

2	<ul style="list-style-type: none">➤ Construction / buying commercial complexes,➤ Construction activities like residential apartments, villas, group housing, layout formation / property development.➤ Shopping complexes,➤ Industrial estates, IT software parks,➤ Ready building office space, constructions/ buying ready built showrooms and sales outlets, development, maintenance and construction of roads/infrastructure projects,➤ Professional education institutes,➤ Corporate loans to above activities (under SI.NO.2)	16.50
3	<ul style="list-style-type: none">➤ Corporate loans, (excluding, corporate loans to activities at SI.NO.2), AMARA scheme, bridge loans, finance to existing assets.➤ Entertainment industry (including cinema theatre/multiplex, production of feature films, TV serials, dubbing/recording, S/W for visual media publicity.➤ Rental discounting scheme.	16.00
4	<ul style="list-style-type: none">➤ Privileged entrepreneur's scheme.	15.50
5	<ul style="list-style-type: none">➤ Micro finance activity.	14.00
6	<ul style="list-style-type: none">➤ Purchase of private vehicles by existing firms/promoters.	12.00
7	<ul style="list-style-type: none">➤ Wind mill projects.	13.00



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CONCESSION FOR CREDIT RATED LOAN PROPOSALS:

For new loans disbursed on or after 01-02-2010, interest concession shall be extended as indicated below.

RATING	INTEREST REBATE FOR LOANS	
	UPTO Rs 1 CKORE	ABOVE Rs 1 CRORE
Green field projects with ratings SE1A and SE2A by SMERA or equivalent rating by other agencies.	0.50%	1.00%
Brown field projects with ratings Pr1 and Pr2 or equivalent ratings by other agencies.	0.50%	1.00%

This interest concession shall not be applicable for tourism related activities like amusement parks, restaurants, Travel and transport, tourist service agency, hotels and restaurants, mobile canteen/catering, resorts, service apartments, CRE projects, corporate loans, privileged entrepreneurs loans and loans sanctioned under Japan international corporation agency (JICALoc).

REBATE:

A rebate of 0.50 % will be allowed for all loans for prompt payment. An additional rebate of 0.50 % will be allowed only for loans of Rs.300 lakhs and above to existing customers, for prompt payment.

The rebate shall be allowed subject to the following:

- ❖ Payments shall be made on or before the due date through ECS/RTGS/NEFT/DP/cash/local cheques. Repayment through outstation cheques will not be eligible for this rebate.
- ❖ The present system of giving grace period of 3 days for prompt payment has been discontinued for all loans, including the existing loans.
- ❖ If the due date of payment happens to be a holiday, the immediate next working day shall be considered as due date and for reckoning the prompt payment. No rebate for prompt payment is available to micro finance activity, purchase of private vehicles by existing firms/promoters and wind mill power projects.



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- ❖ 1.00% special rebate is extended to physically challenged entrepreneurs subject to producing physically disability certificate from the competent authority.
- ❖ 1.00% special rebate is extended to green technology products and services provided, at least 51% of the project cost comprises of green technology, viz, green building, equipment, energy and other purchasing required for the project.
- ❖ Maximum rebate/concession extended to any unit under different categories shall not
- ❖ Exceed 3%.

INTEREST RATES FOR SC/ST ENTREPRENEURS:-

The term loan to schedule caste and scheduled tribe entrepreneurs will be sanctioned at the above applicable rates. However effective rate to those entrepreneurs will be 4% P/A the difference between KSFC lending rate and effective rate of 4% to the borrower will be met through the interest subsidy by Govt of Karnataka (GOK).

PENAL INTEREST:-

For new loans disbursed on or after 01-02-2010, the penal interest of 2.00% P/A over and above the applicable interest will be charged in case of default, on the defaulted amt) for defaulted period to all categories of borrowers.

LOAN OUTSTANDING TO DETERMINE INTEREST RATE:-

While applying the interest rate, the total loan outstanding (i.e. existing and proposed loan) will be the criteria for deciding the ROI.



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DEFERRED PAYMENT IN CASE OF SALE U/S 29 OF SFC'S ACT:-

The ROI for deferred payment liability in case of sale of assets will be highest current rate of interest rate under 1 and 2 of interest rate table.

TRANSFER OF LOAN LIABILITY:-

The original contract rate of interest will continue to apply in case of transfer of loan liability. For the activities which are eligible for refinance from SEDBI but SIDKL is not providing refinance because of the exposure exceeding the limit specified in the SFC's act, the rate of interest as per the prevailing interest rate structure of the corporation shall be applied.

However, for the activities which are not eligible for refinance from SIDBI, including large scale industries, the interest rate as applicable to advance out of own funds (SI.NO.3 in the interest table) shall be applied.

PROCESS AND INDUSTRIAL FINANCE:-

The company, which fulfills all the eligibility criteria, will have to fulfill an application form and submit it to KSF. A representation of the company will be called to the office for a detailed discussion with the KSFC officers. The officers will ask for any additional documents if needed.

ANALYSIS OF THE COMPANY BY KSFC:-

Following aspects of concerned will be taken into consideration during the analysis of the company-

- Background of the company in respect of strength of the company.
- Dealing with other banks / financial institutions.
- Repayment patterns of the loan taken from the bank / financial institutions.
- Financial statement of the company.
- Bio-data net worth of the company.
- Value of the collateral security of the company.



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- Marketing capabilities of the company.
- Price reasonableness of the cost of the equipment.
- Probable income generation of the income.
- Capacity of the company to repay the rentals.

SANCTION COMMITTEE:-

For the detail discussion after consideration the above aspects committee is formed which is called sanction committee. Deputy General Manager will discuss on the draft of the appraisal. The drafts of the appraisal consists of the following aspects,

- Name of the units
- Location
- Activity

- Size of the industry
- Important customer's
- Eligibility for industrial finance
- Name and address of the banker with opinion
- Performance of the company for the past three years.
- Details of the existing and proposed equipment
- Term finance
- Collateral security
- Existing and proposed marketing
- Profitability statement and Special terms and condition.

FINANCIAL ASSISTANCE:

CATEGORY	MAXIMUM LOAN
I. Proprietary / partnership	Rs.200.00 lakh
II. Corporate bodies (both private & public limited), registered co-operative societies	Rs.500.00 lakh

- Respect of existing units operating successfully, maximum limit can be



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extended up to Rs.800.001akh for category (I) and Rs.2000.00 lakh for category (II).

- In respect of category (II) the financial assistance can be sanctioned provided the paid up capital and free reserve do not exceed Rs.2000.00 lakhs.
- If the requirement of the funds for a project is substantial and cannot be extended by the corporation alone, then the requirement of loan of such projects can be met in consortium with other financial institutions.
- Minimum loan size is Rs.5.00 lakh.

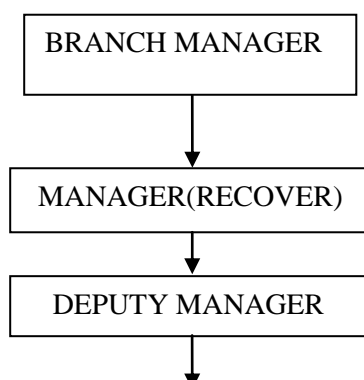
DEBT EQUITY RATIO:-

For loans up to Rs. 10.00 Lakh	3:1
For Loans above Rs.10.00 Lakhs	2:1

Promoter's contribution:

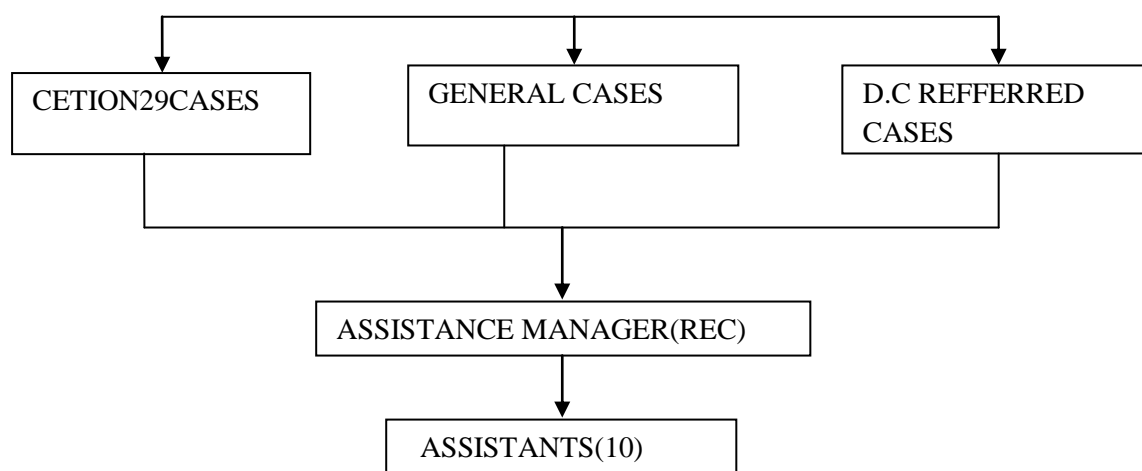
Category	Minimum percentage on project cost
Backward district/regions	20%
Non-Backward district/regions	22.25%
D e s e r t loan	10%

BRANCH RECOVERY DEPARTMENT STRUCTURE:-





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CHAPTER 2

RESEARCH DESIGN

RESEARCH METHODOLOGY OF THE STUDY

RESEARCH:

It is a scientific and systematic search for pertinent information on a specific topic.

TITLE OF THE STUDY:

“A study on loans schemes sanctioned by KSFC to SSI”

STATEMENT OF THE PROBLEM

This study is to know about providing medium and long term credit to industrial undertaking. The Granting of loans fetches rate of interest but increase in the rate of interest will have negative impact on SSI. Loan schemes are not only for establishment of industries but also for the growth and development of it.



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OBJECTIVES OF THE STUDY:

- * To know the performance of branch towards SSI loans..
- * To know the various schemes available in corporation according to which, it lends term loans.
- * To know about providing medium and long term credit to industrial undertakings.
- * To find out the different rate of interest under different category of loans.
- * To know about the types of loans sanctions to SSI.

SCOPE OF THE STUDY:

In ever increasing activities of trade & commerce there is a vast scope for any financial institutions, which identifies & caters to the needs of the industries. There is a need to educate the entrepreneur about the financial assistance providing by K.S.F.C under the various schemes & benefits available to them in obtaining assistance from corporation. The scope of the study also includes about the loan schemes granted to industries by KSFC and to know about their interest rates as well as to know about the types of loans available to different groups (caste, sex etc.).

RESEARCH METHODOLOGY:-

The use of proper methodology is an essential part of any research. It depends on the nature of project work. A central part of research activity is to develop an effective research strategy or design. Methodology involves the most suitable methods of investigation. The nature of research instrument, the sampling plan and the type of data are also chalked out in this.

The research design constitutes the blue print for the collection, measurement and interpretation of data. It aids the researcher in the allocation of his limited resources by posing crucial choices from which choices can be made.



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Naturally Research design is the plan and structure of investigation. So conceived as to obtain answers to research question. The plan is the overall scheme or program of the research.

* **Primary data:**

The primary data was collected through posing questionnaires to the managers and other officials of KSFC. The primary data was collected by interviewing with the officials who are relevant to the particular aspects of the research study.

* **Secondary data:**

The secondary data was obtained from published sources such as organizational literature, journals, brochures, manuals and various text books about the study.

REFERENCE PERIOD:

It is from march 1st 2013 to April-10th- 2013

OPERATIONAL DEFINITION

• **Industry:**

An industry is an area of economic production which involves large amounts of upfront capital investment before any profit can be realized.

• **Small Scale Industry:**

These are those who are invested in plant and machinery is up to Rs 5 crore irrespective of the location of unit, a Securities It means safety of capital without any losses. It also means that the money should be received in time on the date of maturity without any delay. The delay factor is also responsible for loss in value of money. If an investor wants to be secured then he should purchase govt securities to get loans. The loans should offer collateral security against loan.



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- **Loan:**

An arrangement in which a lender gives money or property to borrower and the borrower agrees to return the property or repay the money, usually along in interest, at some future point(s) in time. For repaying a loan, and generally the lender has to bear the risk that the borrower may not repay a loan (though modern capital markets have developed many ways of managing this risk).

- **Working Capital:**

A measure of both a company's efficiency and its short term financial health. The WC ratio is calculated as, $WC = \text{current assets} - \text{current liabilities}$, positive WC means that the company is able to pay off its short term liabilities. Negative wc means that a company currently is unable to meet its short term liabilities with its current assets (cash, accounts receivable and inventory) also known as "net wc" or "working capital ratio".

- **Mortgage:**

It is an agreement to give up an interest in something if you fail to perform some duty. In many cases, it means that you will give up your home if you fail to repay your home loan as agreed. You can use mortgage as a verb, meaning "to pledge".

- **Moratorium Period:**

The holiday period allowed to borrowers for repayment of the loan, where they will be allowed to pay only interest portion. It is a delay or suspension of an activity or a law, in a legal context. It may refer to the temporary suspension of a law to allow a legal challenge to be carried out.



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- **Interest:**

Interest is consideration paid on the principal amount by the borrower.

- **Collateral Security:**

All loans are to be backed by collaterals in the form of commercials or residential properties located in the state of Karnataka or fixed deposit NSC's. Residential properties of third parties as collateral are discouraged assets free of encumbrance charged to the corporation will be further changed.

In case of corporate loan in the absence of adequate security in the form of primary assets collateral security to the extent of 100 % of the loan amount is instead in respect of existing units assisted by the corporation and in respect of other units collateral security will be 150 % of the loan amount.

Note: The primary and collateral are to be by way of simple mortgage at Jurisdictional SRO.

- **Promoter's Contribution:**

It is percentage of contribution of funds that as to be contributed by the promoter of the business output of the total loan applied.

- **Applications Processing Fee**

It is fee collected by KSFC for processing the application of the entrepreneurs who avail financial assistance from KSFC fee so calculated is 0.5 % of loan amount.

LIMITATION OF THE STUDY:-

- ✓ Time frame was insufficient to carry out the study in a greater depth.
- ✓ The facts and figures were insufficient,
- ✓ Information is collected only in KSFC Kolar branch.
- ✓ The project is confined to Kolar branch.
- ✓ As some information is kept confidential data was not sufficient to execute the project.
- ✓ Individual financial statement is not prepared in the branch.
- ✓ Facts and figures provided were not accurate.



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CHAPTER SCHEME:-

CHAPTER 1 INTRODUCTION

Meaning, Introduction, Types of loan for SSI, Products for SSI, Interest rate table, Indian financial system, Functions, Payment system, Pooling of funds, Transfer of resources, Risk management, Financial instruments, Financial institutions, Commercial banks, Development of financial institutions, Insurance companies, Non banking financial institutions, Human development index, Purpose of assistance, network, Time frame, Accommodations, Structures, Interest rates for different categories, RBI.

CHAPTER 2 RESEARCH DESIGN

Introduction, Statement of problem, Operational definitions, Objectives of the study, Scope of the study, Research methodology, Limitations of the study.

CHAPTER 3 COMPANY PROFILE

Introduction, History of the KSFC, Industry profile, Statement of objects and reasons, Background and inception of the company, Quality policy, mission and vision, Quality management system, Objectives of KSFC, management of KSFC, Board of directors, Products or service profile, Area of operation, Ownership pattern, Competitors information, Achievements of KSFC. Flow of assistance, norms and parameters, purpose of establishment, field of operation, management structure, future plans.

CHAPTER 4 DATA ANALYSIS AND INTERPRETATION

This includes analysis of data and it involves application of various techniques such as tables and charts.

CHAPTER 5 SUMMARY OF FINDINGS



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CHAPTER 6 SUGGESIONS AND CONCLUSION

BIBLIOGRAPHY

ANNEXURE

CHAPTER – III

COMPANY PROFILE

INDUSTRY PROFILE

THE STATE FINANCIAL CORPORATIONS ACT, 1951

A Central Industrial Finance Corporation was set up under the Industrial Finance Corporations Act, 1946 in order to provide medium and long term credit to industrial undertakings which fall outside the normal activities of Commercial Banks. The State Governments expressed their desire that similar Corporations be set up in States to supplement the work of the Industrial Finance Corporation. State Government also expressed that the State Corporations be established under special statute in order to make it possible to incorporate in the Constitution necessary provisions in regard to majority control by the Government, guaranteed by the State Government in regard to the payment of principal. In order to implement the views expressed by the State Governments the State Financial Corporation Bill was introduced in the parliament. Financial institutions play a very important role in the economy of any country. These institutions facilities convenient and effective channels of saving and investments in a developing country like India. The role of



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these institutions become more pronounced in order to achieve rapid economic growth. Considering the need for such institutions ^ industrial finance corporation of India (IFCI) was setup in 1948.

At the same time it was felt that there is necessity to establish similar institutions with a view to assisting smaller industries in different states because it was into possible for a single institutions to satisfy the capital needs of all the same concerns sprawled all over the country. Accordingly the SFC Act was passed in 1951, which authorized each state to establish a SFC. By now, there is 18 SFC's functioning in different state of the Indian Union. These institutions are closely modeled on the lines of IFCI, but different in the scope of their activities.

The principle objective behind setting of SFC is to provide medium and long term financial assistance to small and medium enterprises, particularly when normal banking accommodation is not available. The other objectives are:

- ✓ Economic growth,
- ✓ Balanced regional growth,
- ✓ Widening of the entrepreneurial base through the encouragement of new entrepreneurs.

ABOUT KARNATAKA STATE FINANCIAL CORPORATION

INTRODUCTION

Karnataka State Financial Corporation is a state level financial institution established by the State Government in the year of 1956 under the State Financial Corporation Act 1951 to meet mainly the long term financial needs of Small and Medium Entrepreneurs (SME's) in the state of Karnataka.

The Karnataka State Financial Corporation, which prior to November 1, 1973, was known as the Mysore State Financial Corporation, was established on March 30, 1959. The then Government of Mysore established the Karnataka State Financial Corporation by notification No. ED 28 BIS 59 Dated 30th March 1959.

The Mysore Government at Rs. 2 Crore fixed the authorized share capital. As compared to this, today's authorized share capital is Rs. 500 Crore with a provision



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that the state Government of Karnataka, on the recommendation of the Small Industries Development Bank of India, increases the authorized capital up to Rs. 1000 Crore.

Today, while the State Economy is making rapid strides in the global market Karnataka State Financial Corporation is moving in tandem. As a pioneering and responsive financial institution, Karnataka State Financial Corporation is fine tuned to fulfil the plans and aspirations of entrepreneurs by extending all possible assistance.

Amendments to the SFC's Act provide for wide ranging scope of assistance and operational flexibility keeping this in view. Karnataka State Financial Corporation has re-engineered itself to ensure utmost customers satisfaction with new energy thrust and speed.

In the 49 years of existence, Karnataka State Financial Corporation has contributed most significantly for the growth of SSI's backward area development promotion of first generation entrepreneurs. Its achievement in these areas is unparalleled.

Since inception, Karnataka State Financial Corporation has assisted more than 1,55,453 units with cumulative sections of over Rs. 7,427,65 Crores out of which more than 50% is towards SSI's. Karnataka State Financial Corporation as ISO 9001-2000 certified organizations are proud to have played a major role in the industrial development of the state. It is also the proud privilege of Karnataka State Financial Corporation to have assisted many industries

that are internationally recognized like the INFOSYS & BIOCON.

STATEMENT OF OBJECTS AND REASONS:

In order to provide medium and long term credit to industrial undertakings, which fall outside the, normal activities of Commercial Banks, a Central Industrial Finance Corporation was set up under the Industrial Finance Corporation Act 1948 (XV of 1948). The State Governments wish that similar Corporations should also be set up in the States to supplement the work of the Industrial Finance Corporations.

The intention is that the State Corporations will confine their activities to financing medium and small scale industrial and will, as far as possible, consider only such cases as are outside the scope of the Industrial Finance Corporation. State Governments also consider that the State Corporations should be established under a



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special Statute in order to make it possible' to incorporate in the Constitution necessary provisions in regard to majority control by Government, guaranteed by the State Government in regard to the repayment of principal, and payment of a minimum rate of dividend on the shares restriction on distribution of profits and special powers for the enforcement of its claims and recovery of dues.

Since the incorporations, regulation and winding up of such Corporations fall within the purview of Parliament vide Entry No. 43 of the Union List - The State Governments have requested the Government of India to enact the necessary enabling legislation, which is ought to be effected by this Bill.

The main features of the Bill are as follows,

- ❖ The Bill provides that the State Government may, by notification in the official Gazette, establish a Financial Corporation for the State.
- ❖ The share capital shall be fixed by the state Government . The issue of the shares to the public will be limited to 25 percent, of the share capital and the rest will be held by the State Government, the Reserve Bank, Scheduled Banks, Insurance Companies, and Investment Trusts. Co-operative Banks and other Financial Institutions.
- ❖ Shares of the Corporation will be guaranteed by the State Government as to the repayment of principal and the payment of a minimum dividend to be prescribed in consultation with the Central Government.
- ❖ The Corporation will be authorized to issue bonds and debentures for amount which

together with the contingent liabilities of the Corporation shall not exceed five — times the amount of the paid-up share capital and the reserve fund of the corporation. These bonds and debentures will be guaranteed as to the payment of the principal and the payment of interest at such rate as may be fixed by State Government.

- ❖ The Corporation may accept deposits from the public repayable after not less than five years, subject to the maximum not exceeding the paid-up capital.
- ❖ The Corporation will be managed by a Board consisting of a majority of Directors nominated by the State Government, the Reserve Bank and the



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Industrial Finance Corporation of India.

- ❖ The Corporation will be authorized to make long-term loans to industrial concerns and a guarantee loans raised by industrial concerns which are repayable within a period of not exceeding 25 years. The Corporation will be further authorized to underwrite the issue to stocks, shares, bonds or debentures by industrial concerns, Subject to the provision that the Corporation with be required to dispose of any shares, etc., acquired by it in fulfilment of its underwriting liability within a period of 7 years.
- ❖ Until a reserve fund is created equal to the paid — up share capital of the Corporation and until the State Government has been repaid all amounts dividend shall not exceed the rate guaranteed by the State Government. Under no circumstances shall the dividend exceed 5 percent, per annum and surplus will be repayable to the State Government.

The Corporation will have special privileges in the matter of enforcement of its claims against borrowers.

BACKGROUND AND INCEPTION OF THE COMPANY

INTRODUCTION OF FINANCE

Finance is the foundation of all kinds of economic activities. The Sanskrit sayings “Arthah Sachivah” which means finance reigns supreme speaks volumes for the significance of the finance functions in any business proposition, this point of view is well brought out by Mr. AJ Kingshort, who states financial is the common denominator of vast range of corporate objectives and the major part of any corporate plan must be expressed in financial terms.

BUSINESS FINANCE

Business finance is that business activity which is concerned with the acquisition and conversation of capital finance in meeting financial needs and over all objectives of business enterprises.

Business finance can broadly be defined as the activity concerned with planning,



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rising controlling and administering of the funds used in the business.

Financial management is mainly concerned with the proper management of funds. The finance management must see that the funds are procured' in a manner that the risk, cost & control consideration are properly balanced in a given situation and there is optimum utilization of funds.

According to Solomon financial management is concerned with the efficient use of an important economic resource, namely capital funds. The financial management process begins with the financial planning and decisions, while implementing these decisions the firm has to acquire certain risk and return characteristics.

SMALL AND MEDIUM SCALE INDUSTRIES SECTOR

Small scale and cottage industries are important parts of the structure and texture of Indian manufacturing sector. Small scale industrial units are those which operate with a modest investment in fixed capital, relatively small scale work force and which produce a relatively small volume of output of goods & services. They differ from large-scale industries with respect to size of capital, employment, production & management flow of input and output and so on. They differ from cottage industries with respect to the degree of mechanization of production, ratio of hired labour to family labour, geographic size of market, capital employed and so on.

The small scale industries sector is a vital constituent of India's industrial sector it contributes significantly to India's gross domestic production and export earning besides meeting the social objectives including that of providing employment opportunities to millions of people across the country.

The SSI sector covers a wide spectrum of industries categorized under,

- Small scale industrial undertakings,
- Ancillary industrial undertakings.
- Export oriented units

- Tiny enterprises
- Small scale service enterprise [SSSE's]
- Small scale service business [Industry Related] enterprises [SSSBE's]
- Urban village and cottage industries, and
- Woman entrepreneurs enterprises, i.e. a small scale unit where one or more



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woman entrepreneurs have not less than 51% financial holdings.

NATURE OF THE BUSINESS CARRIED

Nature of the business of the KSFC is mainly lending Business. KSFC is a financial super market; it extends all types of financial assistance in the form of long term loans, short-term loans (in the form of corporate loans), lease finance, hire purchase finance, merchant banking and financial service etc. KSFC's assistance covers almost all types of industrial and service sectors.

KSFC is a category one merchant banker as approved by Securities and Exchange Board of India (SEBI). The Merchant Banking Division takes up management of public issues, DPG syndication of loans, bills discounting etc. The other activities are subscription to the non-convertible debentures and factoring services.

As per SFCs Act, the following activities are eligible for financial assistance

- Manufacture, preservation or processing of goods
 - Mining or development of mine
 - Hotel Industry
 - Acquisition of transport vehicles (passengers I goods)
 - Generation or distribution of electricity or any other form of power
 - Maintenance, repair, testing or servicing of machinery and vehicles
 - Assembling, repairing or packing any article with the aid of machinery or power

 - Setting up or development of an industrial area or industrial estate
 - Providing weigh bridge facilities
 - Providing engineering, technical, financial management marketing or other services of facilities for industry Providing medical, health or other allied services providing software or hardware services relating to information technology, telecommunications or electronics including satellite linkage
- and audio or visual cable communication.



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CONSTRUCTION ACTIVITY

- Development, maintenance and construction of roads Providing commercial complex facilities and community centers including conference halls
- Floriculture
- Service Industry
- Research and developments activities
- Such other activities approved y SIDBI from time to time.

VISION, MISSION AND QUALITY POLICY

VISION

- To reach and covers the entire state of Karnataka.
- To suit the knowledge of each region in terms of infrastructure and natural resources industrialization and entrepreneurship
- Specialization in the appraisal, monitoring a recovery of loans of SSI/MSI of other new fund and the based activities,
- A continuous journey towards the development of SSI and entrepreneurs.

MISSION

To be a premier, self sustained financial institution for catalyzing creating and sustaining viable investment in the small scale and medium scale of Industry and services and the financial sectors in the state of Karnataka State.

QUALITY POLICY

To ensure satisfaction through team work and professional management

- To extend effective guidance through entrepreneurs for successful accomplishment of their business venture,
- To provide good quality of service on a continued basis to the satisfaction of the customer
- To attain satisfied level of performance every year and to ensure compliance with

statutory and regularly requirements.



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- To encourage everyone in the organization to upgrade and enhance their skill & knowledge

QUALITY MANAGEMENT SYSTEM (ISO 9000)

During the fiscal year 1996-97 the corporation has appointed M/s Institute of Standard Engineers (Tata Consultancy Services) as an external agency to advise and co-ordinate in getting the certificate. Since competitiveness in rates of interest and better customer service are in key factors for development and growth of the corporation.

Therefore, the corporation decided to lowering the rate of interest to attract business and evolve strategies helped in the corporation to obtain ISO -9000 certification. Preliminary work in this regard was completed and all efforts were being made to get ISO -9000 Certification quickly. Due to continuous efforts & different programmes were conducted at all levels the process of getting ISO 9000 certification was completed and the corporation was awarded ISO 9000 certification on 25th May, 1998.

The corporation initiated action to obtain ISO-9002 certification for Head office for its quality services. The local office of MIS Bureau of Indian Standards conducted Audit May 98 at Head Office & recommended for award of Certification to the quality Management system of Karnataka State Financial Corporation. The validity of the certificate for 3 years efforts are being put of derive benefits of ISO Certification for improvement in quality of service for enhancement of customer satisfaction.

Management system of Karnataka State Financial Corporation the validity of the certificate for 3 years efforts are being put of derive benefit of ISO Certification for improvement in quality of service for enhancement of customer satisfaction.

OBJECTIVES OF KSFC

The corporation has been established with the basic objective of promoting industrial development in Karnataka. KSFC was desired to give particular emphasis to small & medium scale industries keeping in line with the IDSI and SIDB! and either specialized institutions or the Government. It was felt that no industrial project which is due important should not perish due to lack of timely and adequate finance.



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MANAGEMENT OF KSFC

The Board of Directors constituted as per the SFC's Act 1951 assisted by a Managing Director, Executive Committee and advisory committee, carries out the management of KSFC.

BOARD OF DIRECTORS

The Board of Directors shall consist of the following namely.

A director to be nominated as Chairman under Sub Sec (1) of Sec. 15 The small industries Bank in consultation with the State Government nominates a direction as a chairman of the board for such period not exceeding three years.

Chairman is not a whole time director unless he is also appointed to function as the managing director.

- The Chairman presides over the meeting of the Board and General meeting of the
- Financial Corporation.
- Two directors nominated by the small industries bank.
- Two directors nominated in the prescribed manner by the parties mentioned in clause (e) of sub sec (3) of Sec 4.
- Such number of directors elected in the prescribed manner, by share holders other than mentioned in clauses a) b) and C) of Sub sec (3) of Sec.. 4, whose names are entered on the register of shareholders of the financial corporation, ninety days before the date of meeting in which such election takes place on the basis specified in the act
- Managing Director appointed in consultation with the small Industries, by the State Government, THE MANAGING DIRECTOR.
- Is a whole time officer of the KSFC
- Performs such duties as a Board, by the regulations, interests or delegate to him.
- Holds office for such term not exceeding three years as the State Government may specify and shall be eligible for re-appointment.



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PRODUCT /SERIVES PROFILE

- ✓ Technology Development & Modernization Scheme.
- ✓ Assistance for Marketing Enterprises.
- ✓ Assistance for Marketing Related Activities.

- ✓ Interest subsidy scheme of Govt, of Karnataka.
- ✓ Corporate Loan Scheme.
- ✓ General Scheme.

AREA OF OPERATION

Karnataka State Finance Corporation extends loans to Industrial concerns established I to be established in the State of Karnataka Industrial concerns having registered office. Outside the state of Karnataka can also avail financial assistance provided the place of business is in Karnataka and they agree shift their registered office to the State of Karnataka.

Karnataka State Finance Corporation has branches all over the state, each district has a branch office in total Karnataka State Financial Corporation has 7 zonal offices .

COMPETITORS INFORMATION

PUBLIC SECTOR BANKS AND FINANCIAL INSTITUTIONS

State Bank of India and its 7 associates Banks

- ✓ Canara bank
- ✓ Syndicate Bank
- ✓ VijayaBank
- ✓ Dena Bank
- ✓ Corporation Bank
- ✓ IDBI Bank and SEDBI Bank

PRIVATE SECTOR BANKS AND FINANCIAL INSTITUTIONS

- ICICI Bank



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- Axis Bank
- ING —Vysya Bank
- Citi Financial Bank
- Federal Bank

ACHIVEMENTS OF KSFC

KSFC has completed 52 years of operation it has significantly contributed for the growth of SSI and development of backward areas of the state. Sanctions during the under various schemes touched Rs. 368.15 Crore. covering 1,195 cases as against Rs. 424.53 core covering 1,326 cases during 2006-07. Cumulative sanctions reached 8,536.53 Crore covering 1, 59, 225 cases as computerization of HO and all branches for better service as a step towards diversification of its operations. The operations entered into a strategic tie up with IFFCO – Tokio general insurance limited for distribution of life insurance products.

FLOW OF ASSISTANCE

- Assistance to small-scale enterprises: During the year, me corporation sanctioned an amount of Rs. 173.05 crore to 795 small-scale industries. Cumulative assistance to small-scale industries at the end of March 2008 stood at Rs. 4,459,42 crore to 1,03,595 cases.
- Assistance to medium-scale enterprises: During assistance to 4 medium scale units amounting to Rs. 14.65 crore. Cumulative assistance to this sector stood at Rs. 830.13 crore to 1,642 cases.
- Assistance to transport: During the year, the Corporation extended financial assistance to 29 cases amounting to Rs. 2.05 crore. The cumulative assistance to this sector stood at Rs. 730.60 crore to 40,334 cases.
- Assistance to other sectors: Assistance to other sectors excluding SSI's and Transport amounted to Rs. 178.40 core to 367 cases during the year. Cumulative assistance to other sectors stood at Rs. 1 808.82 core to 10680 cases.

HEAD OFFICE AND BRANCH OFFICE SANCTIONS



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During the year, loan sanctioned by the head office amounted to Rs. 133.77 crore to 57 cases compared to the previous year's sanctions of Rs. 184.57 crore to 73 cases. Loans sanctioned by the branch offices amounted to Rs. 234.38 crore to 1,138 cases compared to Rs. 239.96 crore total, 253 cases in the previous year.

RECOVERY

The total recovery during the year stood at Rs. 561.14 crore as compared to Rs. 502.74 crore made in the previous year. Recovery in respect of loans was Rs. 542.24 crore, Rs.0.30 crore in respect of hire purchase. Rs. 1.80 crore in respect of leasing and Rs.16.80 crore in respect of financial services. The Corporation was able to keep up the tempo of recovery on account of systematic and concerted efforts put in, special emphasis laid on tackling chronic and major default cases, review of cases at regular intervals and series of consortium meetings held with the loaner units to sort out various problems.

WORK FLOW MODEL (END TO END)

An institutions Statement of its basic lending procedures philosophy, including standards, guidelines and limitations that are to be observed and advise to on the process of deciding whether to grant a loan. The policy must have to applicable law & regulations.

LENDING

Lending refers to giving something to the other person that may be in terms of monetary or non monetary with aim of getting back the ended thing with extra benefit like interest. When it comes to the lending of money, money is given with aim of getting back. The lended money with some extra benefit like interest, commission etc. while lending money the lended undertaken some securities by the customer or borrowers in order to avoid the loss or fear of not returning back the lended money.



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Is lend to different customers like businessmen, entrepreneur, formers etc, and different type of securities are undertaken by the lender from the borrowers.

The Different Types of Security Which may be offered by the customer to the lending banking are as follows.

Immovable properties

Loan against immovable properties

Banks usually do not prefer to grant loans and advances against the Security of immovable properties. That is real estate such as land and building rough they are tangible assets. The reasons for the reluctance of the banks to a accept real estate as securities are.

- ❖ Difficulty in ascertaining the title of owner.
- ❖ Not reality marketable.
- ❖ Restrictive law.
- ❖ Valuation problem
- ❖ Legal formalities.
- ❖ Goods
- ❖ Documents of title to goods Life insurance policies
- ❖ Feed deposit receipt

Procedure for Availing Loan Assistance from KSFC

The entrepreneurs' requiring the financial assistance from KSFC is required to follow the following.

PROCEDURE

The customer as required to visit any of the branch office of KSFC. The entrepreneurs are required to carry with them a brief project report details on constitution of the unit, bio-data & net worth of the promoters. Location proposed for



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the unit, extent of term loan required etc, at the time of visit.

The entrepreneurs are required to attend the screening committee on advice from EG department / Branch Manager at head office / Branch Office as the case may get prime - facie clearance for their project and to get application forms & check list.

The field loan applications forms have to be submitted in triplicate along with enclosures as per check list and handed over to AGM (EG) at Head Office / Branch Manager as the case may be and obtain acknowledgement. The entrepreneurs are required to pay loan applications processing fee by cash, cheque or DD & obtain receipt as per the schedule given below.

UPFRONT FEE SSI and Other V1 % of the loan amount Medium Scale Industries V2 % of the loan amount.

LEGAL FEE

In addition to the above, documentation fee for legal scrutiny of the title deeds, execution of hypothecation and mortgage deed at 0.1 % of loan amount is being charged.

LENDING POLICY OF THE CORPORATION

The corporation formulates lending policy of the beginning of each year. The loans are given based on the lending policy of the corporation. The lending policy covers various aspects like the group exposure, thrust sectors, sector in the negative list (loans are not granted to such sectors in the negative list). The industrial policies of the state & central government are also taken in to account while formulating the lending policy of the corporation.

NORMS AND PARAMETERS

Cost of Project

The project cost ceiling for extending financial assistance by KSFC is Rs. 12.00 Crores in respect of SSI and MSI. However, in respect of service sector projects, the ceiling on cost of the project is TS. 20.00 Crores. The entrepreneurs whose project cost exceeds the above limits will have to approach banks or other institutions.

Promoters Contribution



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The minimum promoters' contribution as the percentage of the total project cost varies between 12.5% & 25% depending on the location of the project various scheme of SIDBI operated by the corporation, class of entrepreneur etc.

Debt Equity Ratio (DER)

The Corporation adopts the norms of Promoters contribution and debts equity ratio etc. As per the guidelines issued by the small industries development bank of India from time to time:

The present norms are DER

For loans up to Rs. 10.0 Lakhs up to 3:1

For loans above Rs. 10.00 Lakhs upto 2:1

Debt Service Coverage Ratio (BSCR)

The repayment period of loan is fixed by the corporation with due regard to the cash generation and profitability of the project for this purpose, average DSCR raising between 1.5:1 & 2:1 is accepted as reasonable DSCR for projects below 1.5:1 will be accepted in extremely desiring cases. The DSCR medicates the ability of the project to service the debts during the term period of loan.

Payment Period

The repayment period of the term loan including moratorium period of maximum 2 years depending on the period of implementation. In respect of corporate loan the maximum repayment, period is 30 months including six months moratorium period:

Security

In addition to the primary security i.e. assets financed by the corporation, collateral security as per the lending policy of the corporation is insisted. The collateral security requirement depends upon the type of projects location, sector, quality of primary assets etc.



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KSFC Recovery Policy

Rights of financial corporation in case of default + (section 29 of the SFC's Act) where any industry concern, which is under a liability to the financial corporation under an agreement, makes any default in repayment of any loan or advance or any installment thereof or in meeting its obligations in relation to any guarantee given by the corporation or otherwise fails to comply with the terms of its agreements with the financial corporation the financial corporation shall have the right to take over the management or possession or both of the industrial concern, as well as the right to transfer by way of lease Or sale and realize to the property pledged, mortgaged, hypothecated or assigned to the financial corporation. Any transfer old property made by the financial corporation in assistance of its powers under sub-section.

- Shall invest in the transferee all rights in or the property transferred as if the transfer had been made by the owner of the property the financial corporation
- shall have the same rights of powers with respect of goods manufactured or produced wholly or partly from goods forming part of the security held by it as it had with respect to the original goods where any action has been taken against on industrial concern under the provisions of sub-section.
- All costs charges and expenses which in the opinion of the financial corporation have been properly incurred by it as incidental there to shall be recoverable from the industrial concern and the money which is received by it shall, in the absence of any contract to the contrary, be held by it in trust to be applied firstly in payment of such costs, charges and expenses. In discharge of the debt due to the financial corporation and the residue of the money so received shall be paid to the person entitled there to power to call for repayment before agreed period (section 30 of the SFC's Act) Notwithstanding any things in any agreement to the contrary, the financial corporation may by notice in writing require any industrial concern to which it has granted any loan or advance to discharge forth with in full its liabilities to the financial corporation



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- ✓ If it appears to the Board that false or misleading information in any material particulars was given by the industrial concern in its application for the loan or advance or
- ✓ If the industrial concern has failed to comply with the terms of its contract with the financial corporation in the matter of the loan or advance or o If there is reasonable apprehension that the industrial concern is unable to pay its debts or that proceedings for liquidation may be commenced in respect there of or o If the property pledged mortgaged hypothecated or assigned to the financial corporation as security for the loan or advance is not insured and kept insured by the industrial concern to the satisfaction of the financial corporation or depreciates in value to such an extent that, in the opinion of the Board further security to the satisfaction of the Board should be given & such security is not given or
- ✓ If, without the permission of the Board any machinery plant or other equipment whether forming part of the security or otherwise is removed from the premises of the industrial concern without being replaced or o- If any reason it is necessary to protect the interest of the financial corporation.

MAXIMUM ASSISTANCE

Normally 75% of the cost' of the asset

ASSISTANCE IS AVAILABLE FOR

Land, building and equipment for diagnosis, monitoring, therapeutic use and air conditioners [for operation theatre and intensive its] unbalance etc,

ANALYSIS AND INTERPRETATION

After tabulation the data must be analyzed. Researcher often uses statistical interpretation, which concentrates on what is average or what deviates from average. The data has been analyzed and interpreted by using statistical tools. Then the



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analyzed data is converted to percentage form graphs have been drawn followed by a table, which describes the number of the respondents from each factor and their percentage. This statistical interpretation shows how widely resources vary and how are distributed in relation to the variable being measured. The analysis and interpretation of data may lead the researcher to accept or reject the hypothesis being selected.

CHAPTER IV

DATA ANALYSIS AND INTERPRETATION CLASSIFICATION AND TABULATION OF DATA

CLASSIFICATION

Classification is a process of arranging the data into sequence and groups according to their common characteristics on separating them into different related parts

TABULATION

It is the process, which involves combining, and totaling of the collected data tabulation means the systematic representation of the information (data) in rows and columns features or characteristics.



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

TREND ANALYSIS OR TIME SERIES ANALYSIS

The comparison of past data over a period of time with the base year is known as trend analysis. Under trend analysis all the values of the components all the financial statements relating to one year (the earlier year) is taken as base (100%) and each value in the subsequent years of the same component is taken in percentage based on the base year value.

TABLE SHOWING RECOVERY OF LOANS FROM SSI

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>AMT IN LAKHS</i>	<i>TREND PERCENTAGE</i>
1	2010-11	1877.61	100%
2	2011-12	2124.37	113%
3	2012-13	1177.63	63%

Source: Secondary data

INTERPRETATION

The above table shows that the total amt of money recovered from the SSI by KSFC, and the increase or decrease of trend percentage over a period of 3 years, by taking

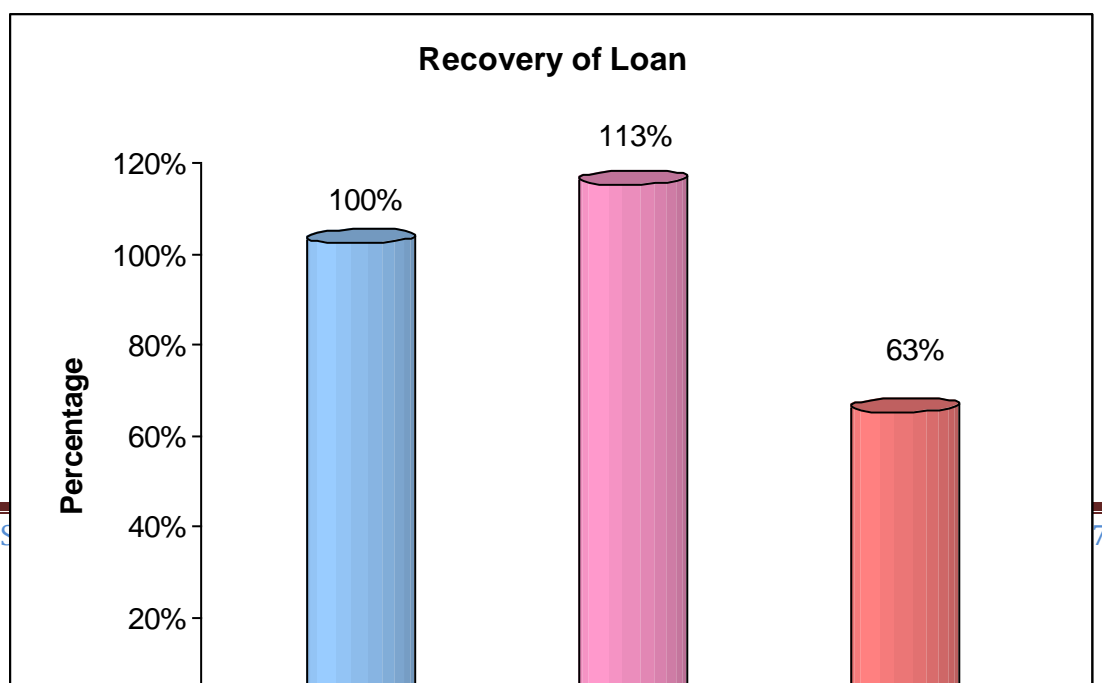


LOANS SCHEMES SANCTIONED BY KSFC TOSSI

2010-11 as base year. The table shows that in 2011-12 the trend percentage was increased to 113% when compared to the 100% in 2010-11 that is the amt sanctioned was increased from 1877.61 lakhs to 2124.37 lakhs in 2011-12 and the table shows that a sudden decline in trend percentage by 63% in 2012-13 when compared to last year decreased from 113% to 63%. It clearly shows that the amt sanctioned in 2011-12 was 2124.37 lakhs and it decreased to 1177.63 lakhs in 2012-13.

The table shows that in one year the trend percentage was increased by 113% and the other year the trend percentage was decreased to 63% it shows that the fluctuation is granting of loans to SSI.

CHART SHOWING RECOVERY OF LOANS FROM SSI (31/12/2011)





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

TABLE SHOWING RECOVERY OF INTEREST ON LOANS ISSUED TO SSI (31/12/2011)

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>AMT IN LAKHS</i>	<i>TREND PERCENTAGE</i>
1	2010-11	789.67	100%
2	2011-12	776.60	98%
3	2012-13	386.32	49%

Source: Secondary data



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

INTERPRETATION

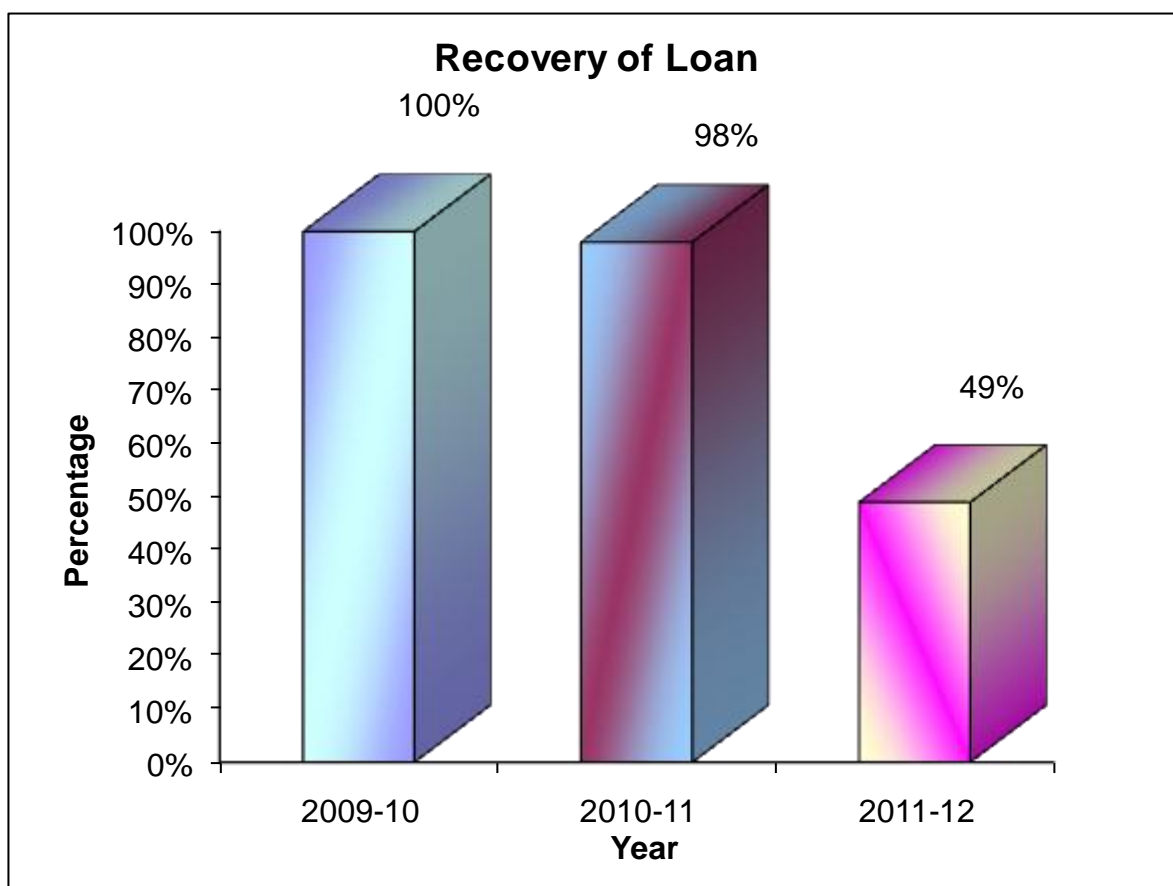
The above table shows that the total amt of interest recovered from the SSI, and the increase or decrease of trend percentage over a period of 3 years, by taking 2010-11 as base year. The table shows that in 2010-11 the trend percentage was decreased to 98% when compared to 100% in 2010-11 that is the total amount of interest recovered decreased from 789.67 lakhs to 776.60 lakhs in 2011-12 and the table shows that a sudden decline in trend percentage by 49% in 2012-13 when compared to last year that is it decreased from 98% to 49%. It clearly shows that the interest amt recovered in 2011-12 was 776.60 lakhs and it decreased to 386.32 lakhs in 2012-13.

The table shows that in one year the trend percentage was decreased by 98% and the other year the trend percentage was decreased to 49% it shows that fluctuation is the recovery of interest on loans.



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

CHART SHOWING RECOVERY OF INTEREST ON LOANS ISSUED TO SSI (31/12/2011)





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

TABLE SHOWING OVERALL TARGET OF KSFC TOWARDS THE ISSUE OF LOANS

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>AMT IN LAKHS</i>	<i>TREND PERCENTAGE</i>
1	2010-11	2600	100%
2	2011-12	2200	85%
3	2012-13	1800	69%

SOURCE: SECONDARY DATA

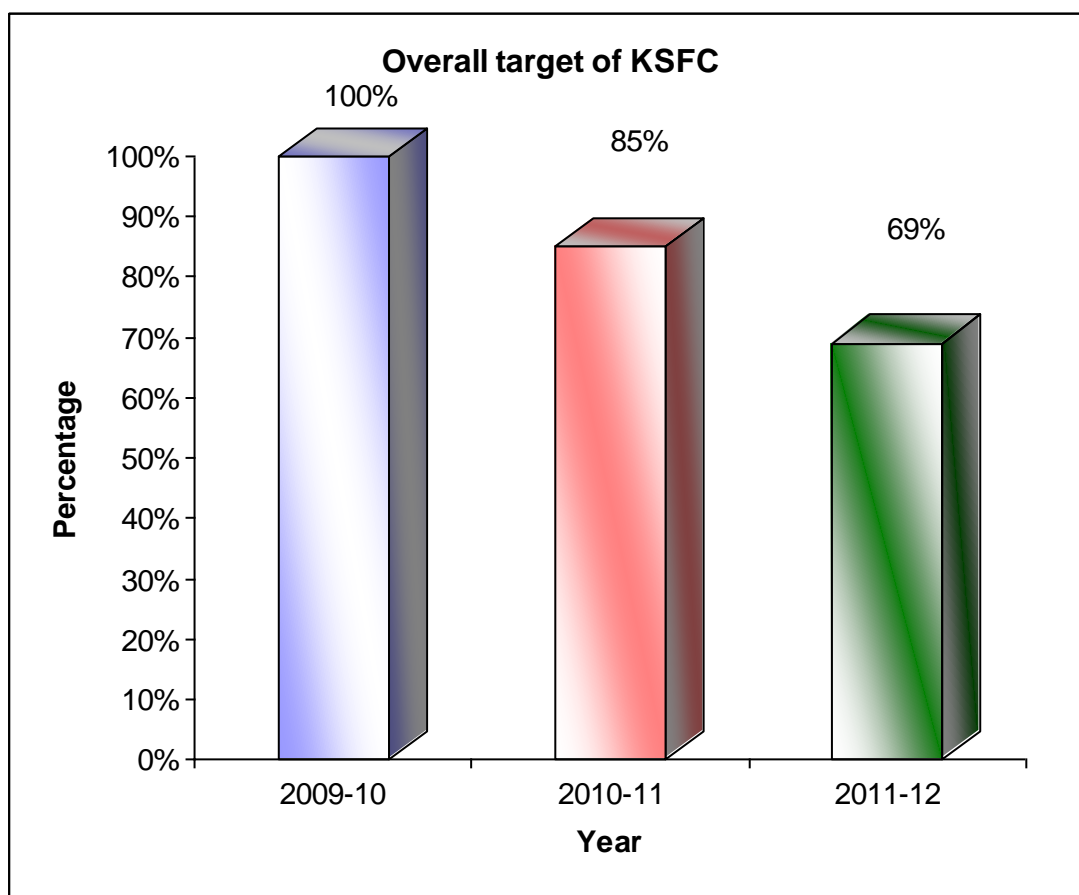
INTERPRETATION

The above table shows that the total amt of interest recovered from the SSI, and the increase or decrease of trend percentage over a period of 3 years, by taking 2010-11 as base year. The table shows that in 2011-12 the trend percentage was decreased to 98% when compared to 100% in 2010-11 that is the total amount of interest recovered decreased from 789.67 lakhs to 776.60 lakhs in 2011-12 and the table shows that a sudden decline in trend percentage by 49% in 2012-13 when compared to last year that is it decreased from 98%) to 49%.

It clearly shows that the interest amt recovered in 2011-12 was 776.60 lakhs and it decreased to 386.32 lakhs in 2012-13. The table shows that in one year the trend percentage was decreased by 98% and the other year the trend percentage was decreased to 49% it shows that fluctuation is the recovery of interest on loans.



**CHART SHOWING OVERALL TARGET OF KSFC
TOWARDSTHE ISSUE
OF LOANS**





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

**TABLE SHOWING DISBURSEMENT PERFORMANCE OF
KSFC TOWARDS LOANS WITH SSI**

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>AMT IN LAKHS</i>	<i>TREND PERCENTAGE</i>
1	2010-11	1739.54	100%
2	2011-12	1162.18	67%
3	2012-13	776.45	45%

Source: Secondary data

INTERPRETATION

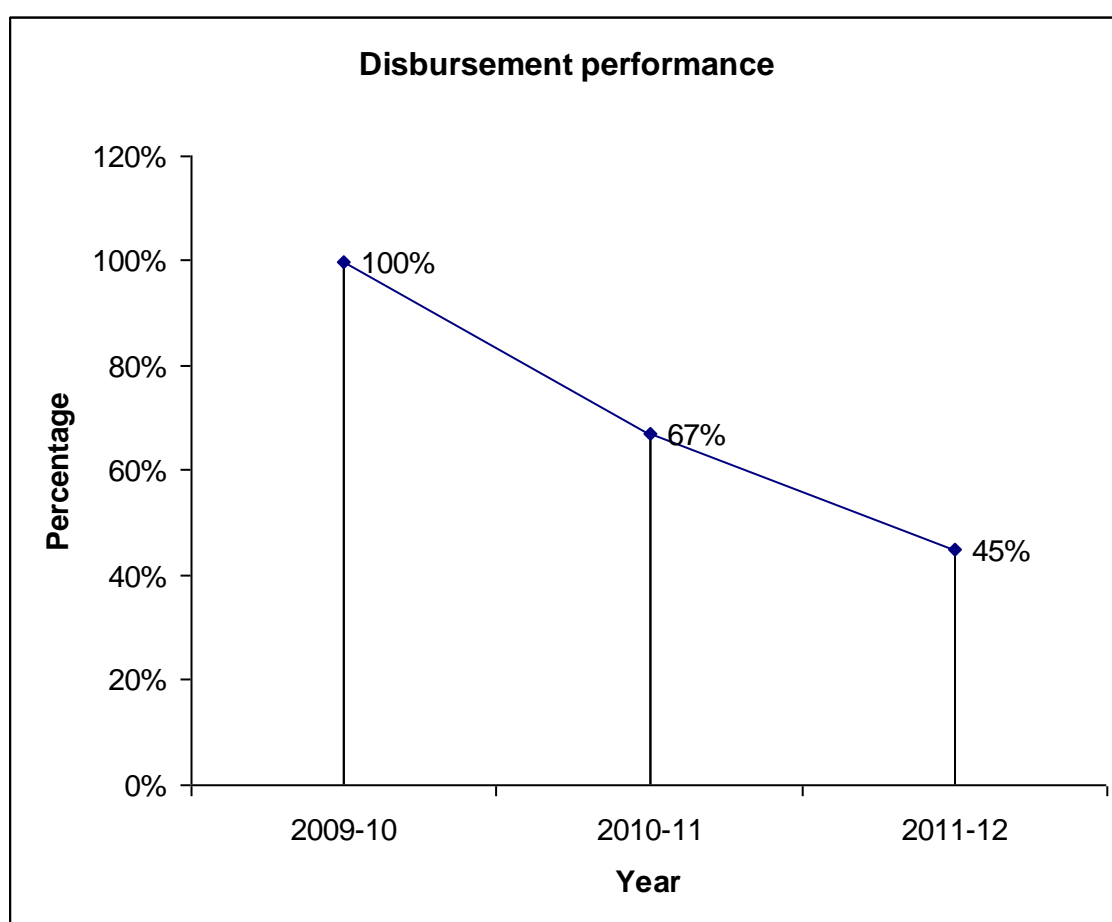
The above table shows that the total amount of money disbursed for small scale industries offered by KSFC, and the increase or decrease of trend percentage over a period of 3 years, by taking 2010-11 as base year. The table shows that in 2011-12 the trend percentage was decreased to 67% when compared with 100% in 2010-11 that is the amount disbursed was decreased from 1739.54 lakhs to 1162.18 lakhs in 2011-12 and the table shows that a sudden decline in trend percentage by 45% in 2012-13 when compared to last year that was decreased from 67% to 45%. It clearly shows that the amount disbursed in 2011-12 was 1162.18 lakhs and it decreased to 776.45 lakhs in 2012-13.

The table shows that the one year the trend percentage was decreased by 67% and the other year the trend percentage was decreased to 45% it shows that fluctuation is disbursement of loans to above industries.



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

CHART SHOWING DISBURSEMENT PERFORMANCE OF SSI TOWARDS WITH KSFC





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

TABLE SHOWING TOTAL STATE'S SANCTIONED AND DISBURSEMENT OF LOAN AMT WITH RESPECT TO SMALL SCALE SECTOR

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>SANCTIONED AMT IN LAKHS</i>	<i>DISBURSED AMT IN LAKHS</i>
1	2010-11	58306.92	43438.12
2	2011-12	67588.18	58040.64
3	2012-13	58909.18	41402.68

Source: Secondary data

INTERPRETATION

The above table shows that the total amt of money sanctioned and disbursed for above 3 years with respect to KSFC and the increase or decrease amount over a period of 3 years, in the year 2010-11 the amount sanctioned is 58306.92 lakhs and the amount disbursed is 43438.12 lakhs.

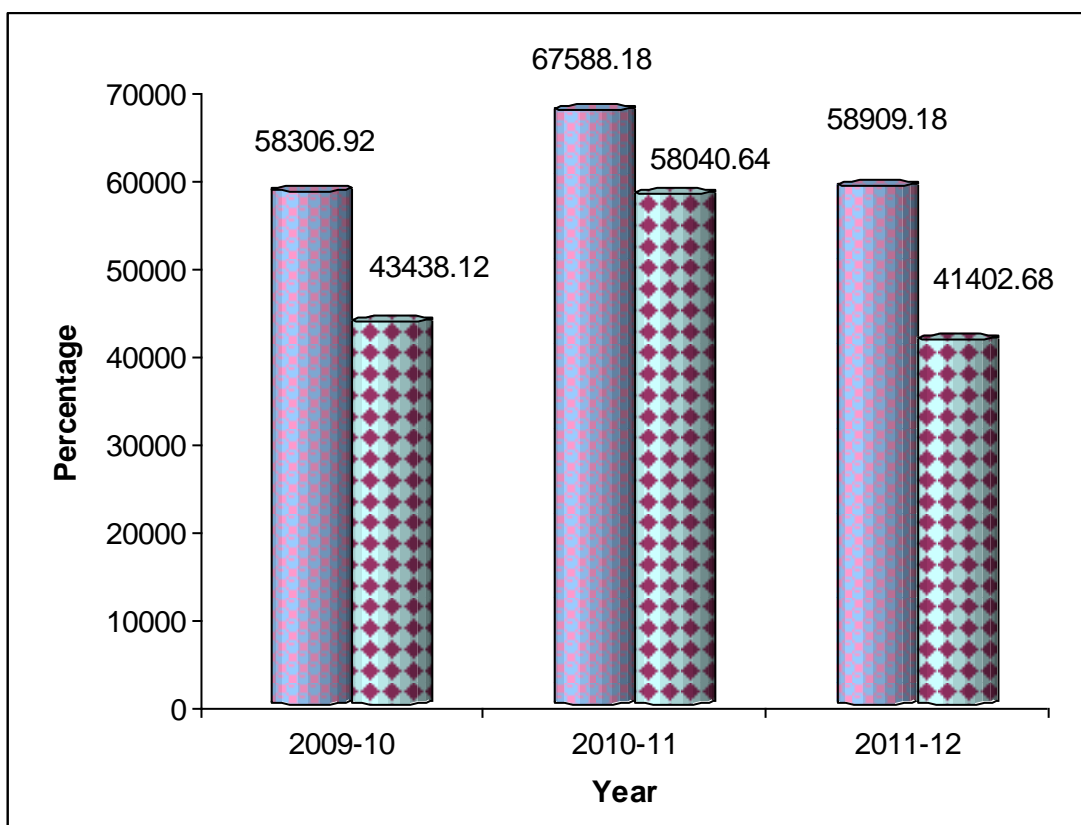
The table shows that in 2011-12 the amount of sanctioned and disbursement of amount is increased to 67588.18 and 58040.64 lakhs when compared to 2010-11 respectively. In the year 2012-13 both the sanctioned and disbursement amount decreased when compared to last year that is 2011-12 the amount is 58909.18 and 41402.68 lakhs respectively.

It clearly shows that the amt sanctioned and disbursed for the above 3 years. The table shows that the amt sanctioned and disbursed for the above 3 years respectively.



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

CHART SHOWING TOTAL STATE'S SANCTIONED AND DISBURSEMENT OF LOAN AMT WITH RESPECT TO SMALL SCALE SECTOR (31/12/2011)





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

TABLE SHOWING NUMBER OF NEW ENTREPRENEURS ASSISTED TOWARDS SSI WITH RESPECT TO KARNATAKA STATE (31/12/2011)

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>NO. OF SSI</i>	<i>TREND PERCENTAGE</i>
1	2010-11	265	100%
2	2011-12	432	163%
3	2012-13	538	203%,

Source: Secondary data

INTERPRETATION

The above table shows that the total number of entrepreneurs assisted towards SSI's offered by KSFC, and the increase or decrease of trend percentage over a period of 3 years, by taking 2010-11 as base year. The table shows that in 2011-12 the trend percentage was increased to 163% when compared to 100% in 2010-11 that is the number of entrepreneurs assisted towards SSI's offered by KSFC was increased to 432 from 265 respectively from 2010-11 and 2011-12 and the table shows that once again increase in the SSI from 432 to 538 in the trend percentage by 163% in 2011-12 when compared to 2012-13 203%) respectively.

The table shows that one year the trend percentage was increased by 163% and again in next year the trend percentage was increased to 203% it shows that the fluctuation is increase in SSI day by day.



**CHART SHOWING NUMBER OF NEW ENTREPRENEURS
ASSISTED TOWARDS SSI WITH RESPECT TO
KARNATAKA
STATE
(31/12/2011)**

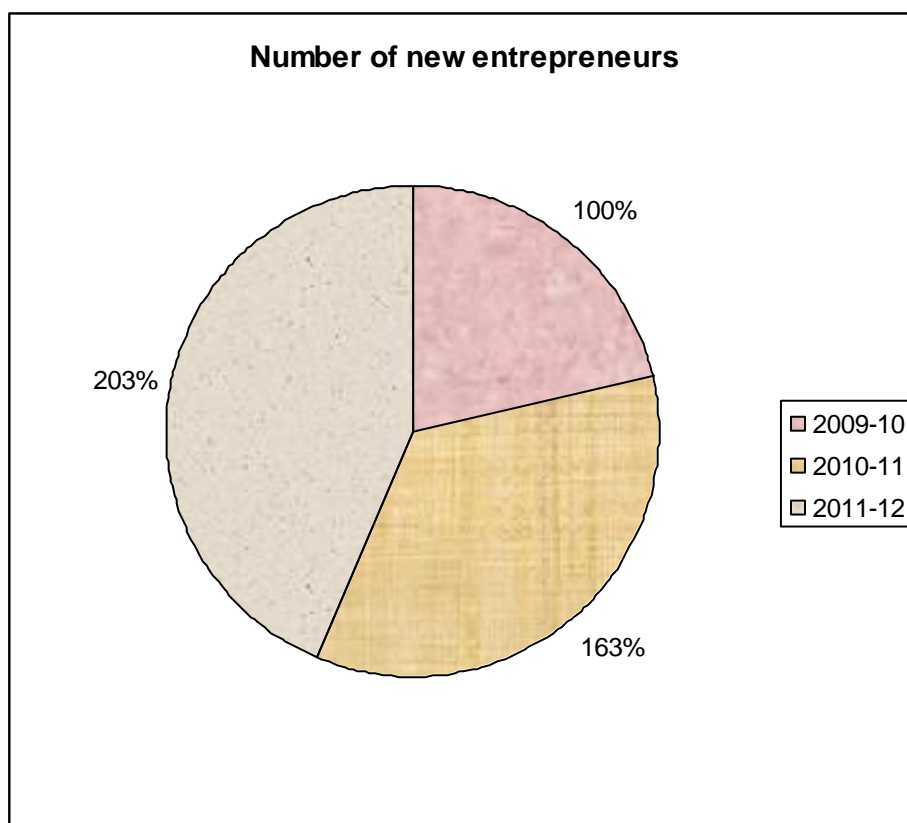




TABLE SHOWING SANCTION OF LOANS TO PRINTING AND PUBLISHING BASED INDUSTRIES (31/12/2011)

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>AMT IN LAKHS</i>	<i>TREND PERCENTAGE</i>
1	2010-11	49	100%
2	2011-12	45.5	93%
3	2012-13	157.5	240%

Source: Secondary data

INTERPRETATION

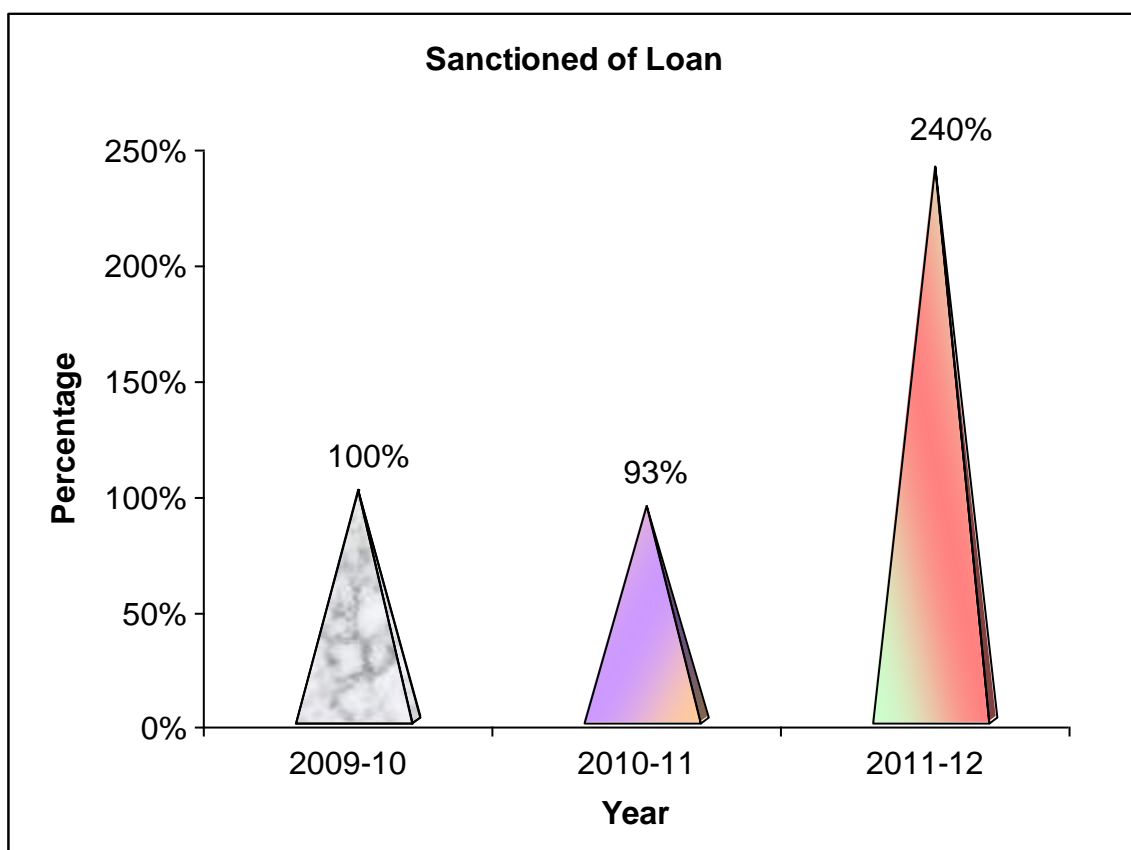
The above table shows that the total amt of money sanctioned for above industries offered by KSFC, and the increase or decrease of trend percentage over a period of 3 years, by taking 2010-11 as base year. The table shows that in 2011-12 the trend percentage was decreased to 93% when compared to 100% in 2010-11 that is the amount sanctioned was decreased from 49 lakhs to 45.5 lakhs in 2011-12 and the table shows that a sudden increase in trend percentage by 240% in 2012-13 when compared to last year increased from 93% to 240%.

It clearly shows that the amount sanctioned in 2011-12 was 45.5 lakhs and it increased to 157.5 lakhs in 2012-13.

The tables shows that one year the trend percentage was decreased by 93% and the other year the trend percentage was increased to 240% it shows that fluctuation is granting of loans to above industries.



**CHART SHOWING SANCTION OF LOANS TO PRINTING
AND
PUBLISHING BASED INDUSTRIES (31/12/2011)**





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

**TABLE SHOWING SANCTION OF LOANS TO CHEMICAL
BASED INDUSTRIES (31/12/2011)**

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>AMT IN LAKHS</i>	<i>TREND PERCENTAGE</i>
1	2010-11	98	100%
2	2011-12	86	88%
3	2012-13	87	89%

Source: Secondary data

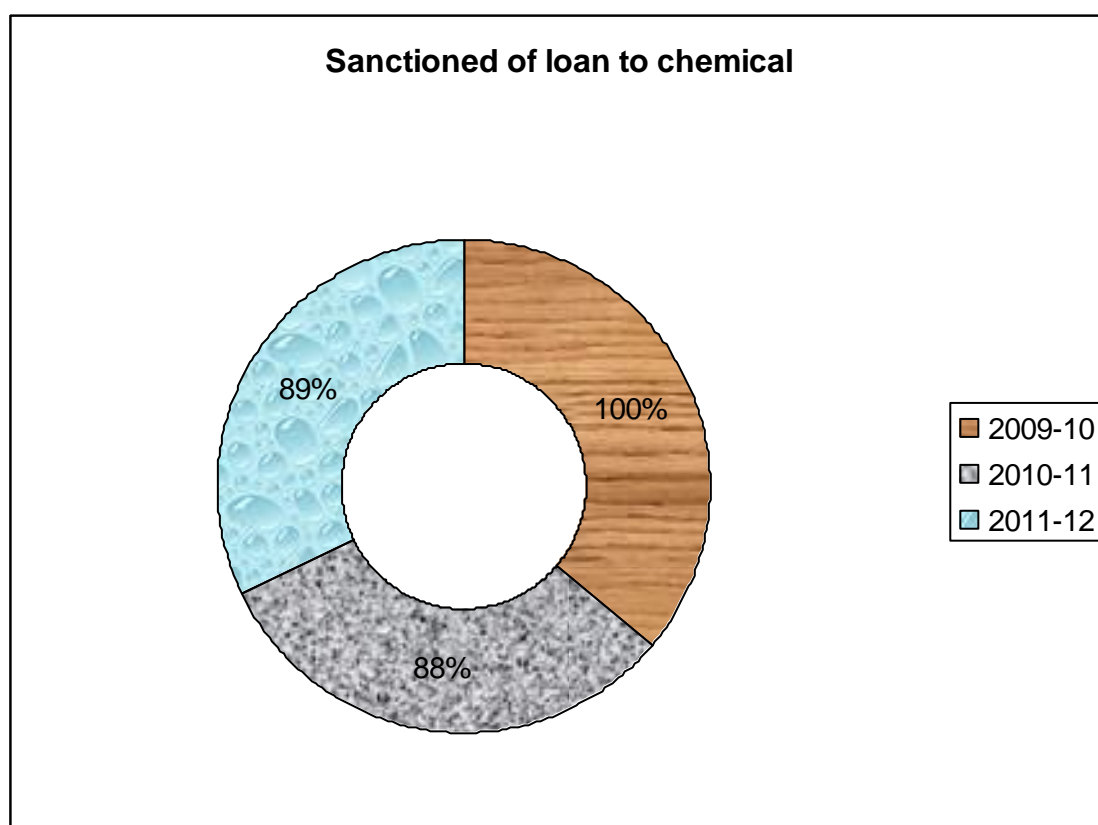
INTERPRETATION

The above table shows that the total amount of money sanctioned for above industries offered by KSFC, and the increase or decrease of trend percentage over a period of 3years, by taking 2010-11 as base year. The table shows that in 2011-12 the trend percentage was decreased to 88% when compared to 100% in 2010-11 that is the amount sanctioned was decreased from 98 lakhs to 86 lakhs in 1011-12 and the table shows that an increase in trend percentage by 89% in 2012-13 when compared to last year increased from 88% to 89%. It clearly shows that the amount sanctioned in 2011-12 was 86 lakhs and it increased to 87 lakhs in 2012-13.

The table shows that one year the trend percentage was decreased by 88% and the other year also the trend percentage was increased to 89% it shows that fluctuation is granting of loans to above industries.



**CHART SHOWING
SANCTION OF LOANS TO CHEMICALBASED
INDUSTRIES (31/12/2011)**





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

**TABLE SHOWING SANCTION OF LOANS UP TO Rs. 10.00
LAKHS (31/12/2011)**

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>AMT IN LAKHS</i>	<i>TREND PERCENTAGE</i>
1	2010-11	93.6	100%
2	2011-12	65.5	70%
3	2012-13	54.6	58%

Source: Secondary data

INTERPRETATION

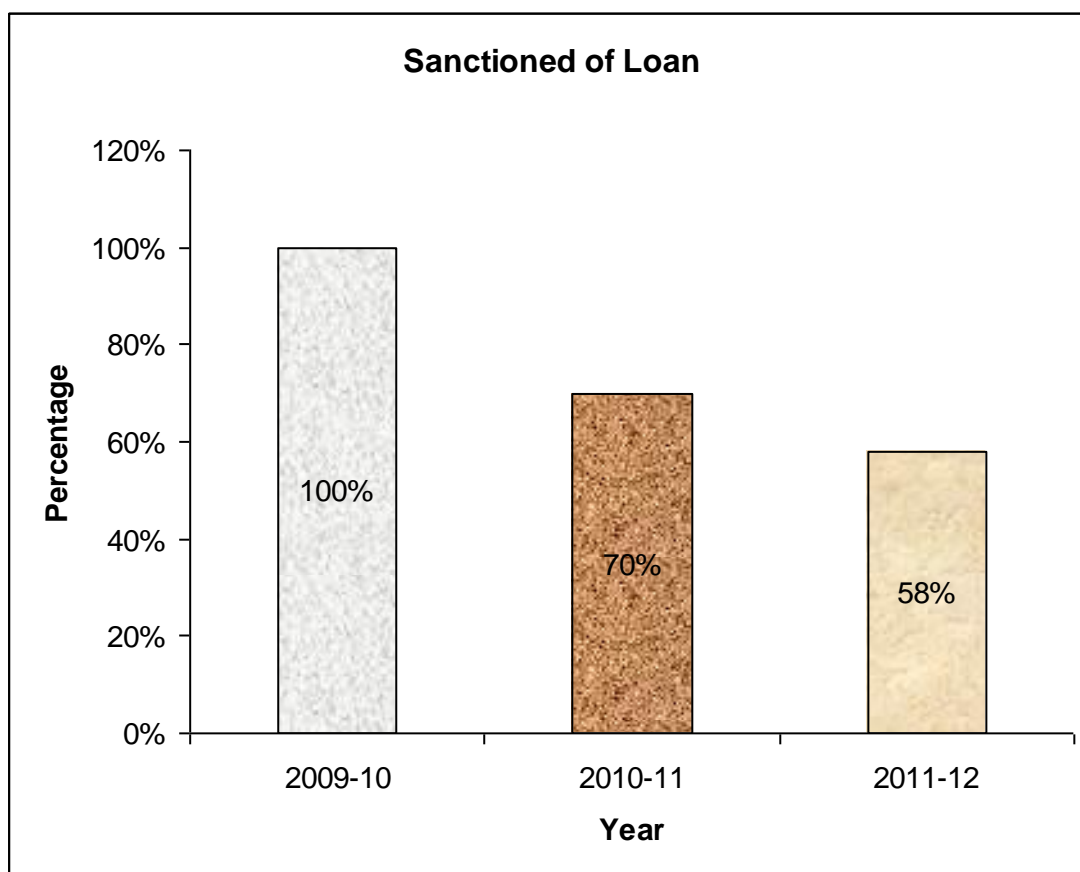
The above table shows that the total amount of money sanctioned by KSFC, and the increase or decrease of trend percentage over a period of 3 years, by taking 2010-11 as base year. The table shows that in 2011-12 the trend percentage was decreased to 70% when compared to 100% in 2010-11 that is the amount sanctioned was decreased from 93.6 lakhs to 65.5 lakhs in 2011-12 and the table shows that the decrease in trend percentage by 58% in 2012-13 when compared to last year decreased from 70% to 58%.

It clearly shows that the amt sanctioned in 2011-12 was 65.5 lakhs and it decreased to 54.6 lakhs in 2012-13. The table shows that one year the trend percentage was decreased by 70% and the other year the trend percentage was decreased to 58% it shows that fluctuation is granting of loans upto Rs. 10.00 lakhs.



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

**CHART SHOWING SANCTION OF LOANS UP TO Rs. 10.00
LAKHS
(31/12/2011)**





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

TABLE SHOWING SANCTION OF LOANS ABOVE Rs. 10.00 LAKHS TO Rs. 45.00 LAKHS (31/12/2011)

<i>SL.NO</i>	<i>FINANCIAL YEAR</i>	<i>AMT IN LAKHS</i>	<i>TREND PERCENTAGE</i>
1	2010-11	239.67	100%
2	2011-12	420.50	175%
3	2012-13	243.50	102%

Source: Secondary data

INTERPRETATION

The above table shows that the total amount of money sanctioned by KSFC, and the increase or decrease of trend percentage over a period of 3 years, by taking 2010-11 as base year. The table shows that in 2011-12 the trend percentage was increased to 175% when compared to 100% in 2010-11 that is the amount sanctioned was increased from 239.67 lakhs to 420.50 lakhs in 2011-12 and the table shows that a decrease in trend percentage by 102% in 2012-13 when compared to last year decreased from 175% to 102%.

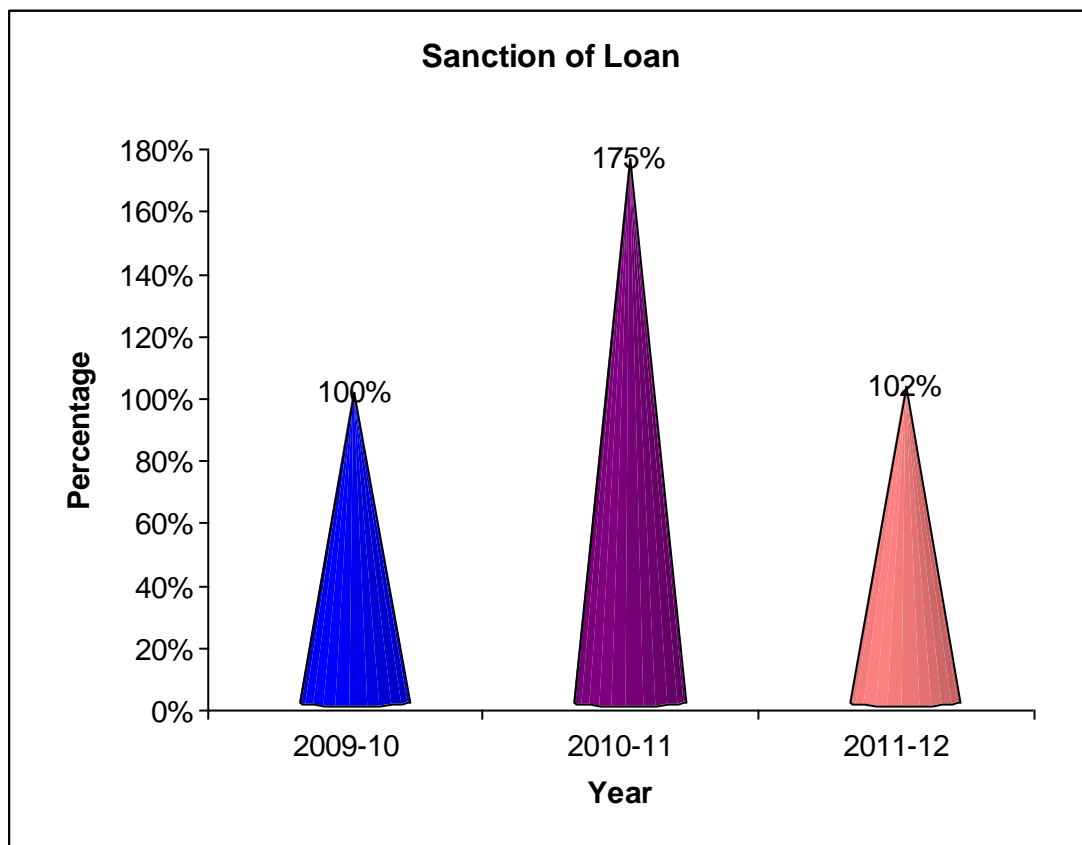
It clearly shows that the amt sanctioned in 2011-12 was 420.50 lakhs and it decreased to 243.50 lakhs in 2012-13.



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

The table shows that one year the trend percentage was increased by 175% and the other year the trend percentage was decreased to 102% it shows that fluctuation is granting of loans above Rs. 10.00 lakhs to Rs.45.00 lakhs.

CHART SHOWING SANCTION OF LOANS ABOVE Rs. 10.00 LAKHS TO Rs. 45.00 LAKHS (31/12/2011)





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

TABLE SHOWING SANCTION OF LOANS ABOVE Rs. 45.00 LAKHS TO Rs. 150.00 LAKHS (31/12/2011)

SL.NO	FINANCIAL YEAR	AMT IN LAKHS	TREND PERCENTAGE
1	2010-11	150	100%
2	2011-12	300	200%
3	2012-13	220	147%

Source: Secondary data

INTERPRETATION

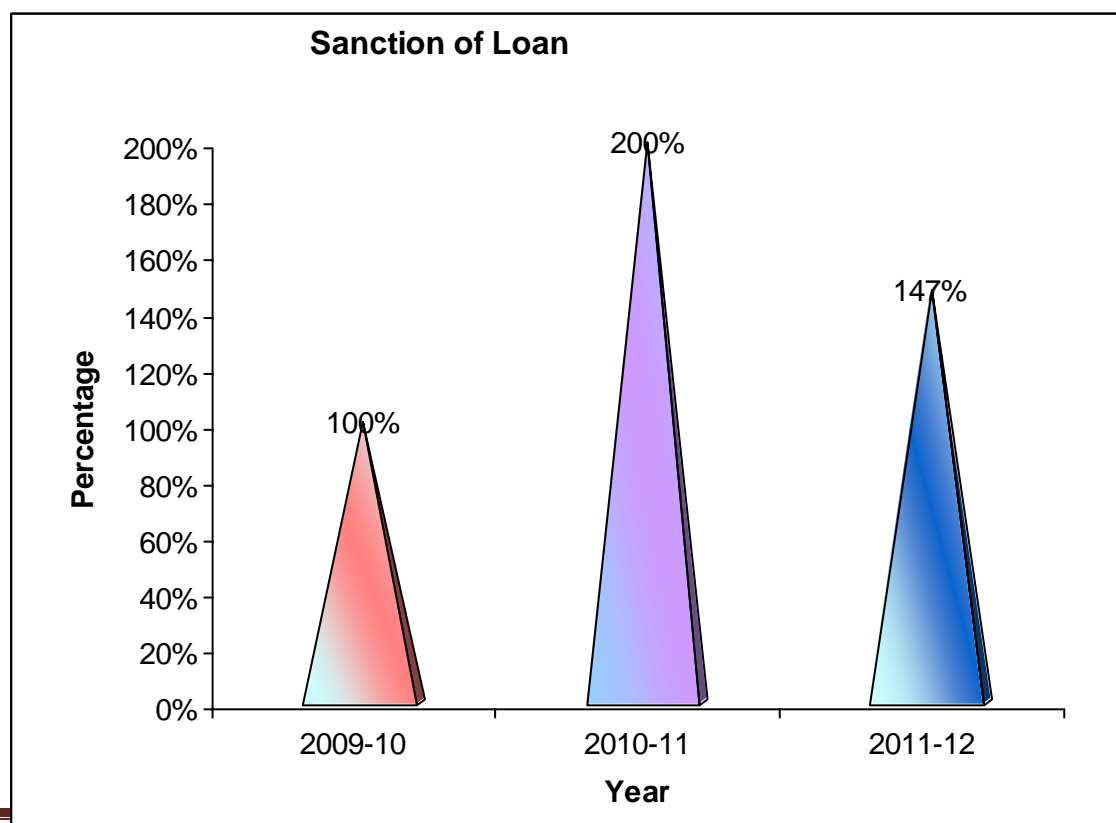
The above table shows that the total amount of money sanctioned by KSFC, and the increase or decrease of trend percentage over a period of 3 years, by taking 2010-11 as base year. The table shows that in 2011-12 the trend percentage was increased to 200% when compared to 100% in 2010-11 that is the amount sanctioned was increased from 150 lakhs to 300 lakhs in 2011-12 and the table shows that a decrease in trend percentage by 147% in 2012-13 when compared to last year decreased from 200% to 147%. It clearly shows that the amount sanctioned in 2011-12 was 300 lakhs and it decreased to 220 lakhs in 2012-13.



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

The table shows that one year the trend percentage was increased by 200% and the other year the trend percentage was decreased to 147% it shows that fluctuation is granting of loans above Rs.45.00 lakhs to Rs. 150.00 lakhs.

CHART SHOWING SANCTION OF LOANS ABOVE Rs. 45.00 LAKHS TO Rs.150.00 LAKHS (31/12/2011)





LOANS SCHEMES SANCTIONED BY KSFC TOSSI

SL.NO	FINANCIAL YEAR	AMT IN LAKHS	TREND PERCENTAGE
1	2010-11	388	100%
2	2011-12	0	0%
3	2012-13	200	52%

TABLE SHOWING SANCTION OF LOANS ABOVE Rs. 150.00 LAKHS TO Rs.300.00 LAKHS (31/12/2011)

Source: Secondary data



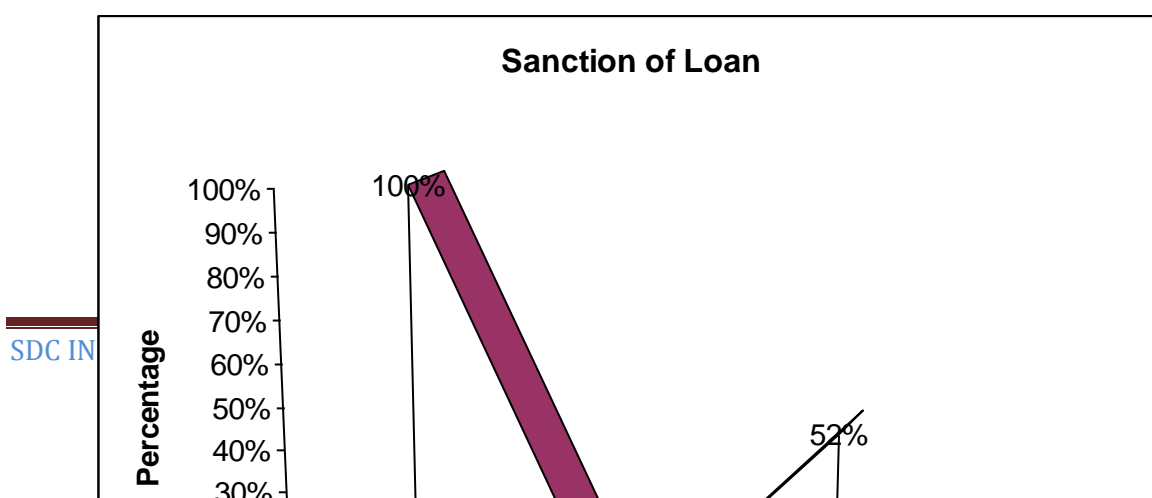
LOANS SCHEMES SANCTIONED BY KSFC TOSSI

INTERPRETATION

The above table shows that the total amount of money sanctioned for above industries offered by KSFC, and the increase or decrease of trend percentage over a period of 3 years, by taking 2010-11 as base year. The table shows that in 2011-12 the trend percentage was decreased to 0% when compared to 100% in 2010-11 that is the amount sanctioned was decreased from 388 lakhs to 0 lakhs in 2011-12 and the table shows that an increase in trend percentage by 200 in 2012-13 when compared to last year increased from 0% to 52%. It clearly shows that the amount sanctioned in 2011-12 was 0 lakhs and it increased to 200 lakhs in 2012-13.

The table shows that one year the trend percentage was decreased by 0% and the other year the trend percentage was increased to 52% it shows that fluctuation is granting of loans to above Rs. 150.00 lakhs to Rs.300.00 lakhs.

CHART SHOWING SANCTION OF LOANS ABOVE Rs. 150.00 LAKHS TO Rs.300.00 LAKHS (31/12/2011)





CHAPTER V

SUMMARY OF FINDINGS, SUGGESTIONS AND

CONCLUSION

FINDINGS

- People who are the customers of KSFC, they avail loans for their business for long term & short term, some people take loans for their short term needs from other banks because KSFC not providing over draft facilities,
- KSFC is known from some sources like friends, advertisement, newspaper and



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

magazines, chamber of commerce & other sources.

- Loans are available for SSI, MSI & tiny industries.
- Only few or some customers are satisfied with their interest rates.
- The company has the procedure of corporation; means paper work & documentation of KSFC are more when compared to other banks & financial institutions.
- Recovery action by KSFC is more effective when compare to other banks.
- More than 80% of customers who did business with KSFC are satisfied.
- The more advantage about the KSFC is their service and helping the people to get their subsidies from government.
- Recoveries of loans form SSI, recovery of interest on loans are found for 3 years.
- Overall target of KSFC towards the issue of loans is found and shown.
- The disbursement performance of SSI towards loans with KSFC is found.
- The total state sanctioned and disbursement of loan amt with respect to small scale sector.
- The new entrepreneurs assisted towards SSI with respect to KSFC is found and shown.
- The sanction of loans up to Rs. 10.00 lakhs.
- The sanction of loans above Rs. 10.00 lakhs to Rs.45.00 lakhs.
- The sanction of loans above Rs.45.00 lakhs to Rs. 150.00 lakhs.
- The sanction of loans above Rs. 150.00 lakhs to Rs.300.00 lakhs.
- The total grands to the sector other than SSI is 25%
- Out of the grand totals of the institution 75% of amounts are sanctioned to SSI.



CHAPTER VI

SUGGESTIONS AND CONCLUSIONS

- ✓ K.S.F.C. should decentralize the branches at Taluk level.
- ✓ K.S.F.C should adopt proper & new techniques regarding the recovery procedures it should be altered frequently.



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

- ✓ K.S.F.C should adopt aggressive marketing strategy to reach its predetermined object or percentage.
- ✓ K.S.F.C should pay more attention on collateral security binding it should be flexible & should be often altered.
- ✓ K.S.F.C should avail the customers regarding the subsidy given by the KSSIDC.
- ✓ It should give proper designation to the main or important person only
- ✓ It should conduct several entrepreneurial development programs to awake the able people to set up new industries.
- ✓ It should also provide long term loans, rather than short term loans.
- ✓ It should introduce new schemes, for the help of SSI, women industry, cottage industry, Artisans tiny industries.
- ✓ It should give subsidy to the machine's which have be bought for the test purpose.
- ✓ It should pave more attention on small scale industry as well as large scale industry or they generate employment to the people.
- ✓ It should give more importance to its new customers & also to its old customers.
- ✓ KSFC is advancing a good amount of loans to the different sectors if it can increase its advances little more means it can complete with its competitors effectively.
- ✓ KSFC is focusing on more SSI sector by advancing more percentage of loans if it can increased its contribution to the others then a balanced regional development is possible.

CONCLUSIONS

- ❖ From the above survey & analyzed dates it is clear that K.S.F.C has reached



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

its destination what actually it needed to be, it is paying more attention towards customer orientation, in spite of heavy competitor from other financial institution. K.S.F.C has paved its path & has made an impressive remark, in the growth of industrial sector, it has not only financed to SSI but also to the large scale industries, through which it has made on new industrial improvement or development.

- ❖ The KSFC has been an effective instrument or tool for the implement of industrial policy of the Karnataka. The corporation has a vital role to play in recognizing the state as a major industrial area in India with the assistance of K.S.F.C entrepreneur have reached the heights of modern technology *Sc* proved their with at National & international level.
- ❖ The corporation as a leading player in the regional industrial development has given more prior to other back ward areas & reduced the regional disparities in the state.
- ❖ It was a wonderful experience of doing the project report in KSFC. Is study has helped me to gain the practical knowledge about the functionality of the organization.



BIBLIOGRAPHY

SL.NO	NAME OF THE TEXT BOOK	NAME OF THE AUTHOR
1	Indian Economics	K.P.M Sundaram
2	Indian Economy	K.K Dewdy
3	Financial Management	Reddy Appannaiah
4	Business Research Methods	K Ramachandra
5	Small Business Management	K D Basava

WEB SITES

- WWW.ksfc.in
- WWW.ksfc.Kar.nic.in
- WWW.ksfc.india.co.in



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

APPENDICES & ANNEXURES

OPERATIONS AT A GLANCE

Particulars	2009-2010	2010-2011	2011-2012	Since inception up to 31.03.2013
Paid up capital at the year end	123.05	509.06	619.06	–
Gross Sanctions: a. Number b. Amount	1,420 565.24	1,461 631.49	1,537 731.63	1,63,643 10,464.89
Assistance to SSIs: a. Number b. Amount	923 262.50	892 287.67	1,316 549.27	1,06,726 5,558.87
Disbursements	383.92	434.39	580.41	8,228.25
Loans outstanding	1,331.58	1,392.82	1,599.11	–
Recoveries	501.22	554.94	586.71	–
Percentage of NPA	9.71	3.45	2.37	–
Income	224.85	209.00	246.98	–
Expenditure	264.02	205.98	225.04	–
Operating Profit	8.25	9.80	5.59	–



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

Net Profit/Loss	(-)39.84	2.96	21.87	-
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KARNATAKA STATE FINANCIAL CORPORATION

BALANCE SHEET AS AT 31st MARCH, 2010

(Rupees in lakhs)

Particulars	Schedule	As at 31-03- 2010	As at 31-03- 2009
CAPITAL AND LIBILITIES:			
Share capital	A	65240.09	52488.06
Loan Pending Conversion to Share Capital	B	0.00	917.69
	C	5492.73	5566.71
Reserves Fund and Other Reserves	D	166586.60	161945.34
Term Borrowings	E	9453.41	9292.14
Current Liabilities & Provisions	Total	246772.83	230209.94
PROPERTY AND ASSETS:			
	F	6975.23	6498.37
Cash & Bank Balance	G	52879.37	35275.56
Investments	H	111629.19	107268.86
Loans & Advances	I		
	J		



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

Fixed Assets		6011.58	6094.41
Current Assets			
Profit and Loss Account Balance	Total	11715.02	17214.15
		57562.44	57858.59
		246772.83	230209.94
Notes & significant Accounting Policies forming part of Accounts			



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

KARNATAKA STATE FINANCIAL CORPORATION

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

31st MARCH, 2010

Particulars	Schedule	Year Ended 31-03-2010	Year ended 31-03-2009
INCOME			
Interest income	K	18214.48	16923.75
Other income	L	2685.55	5560.90
	Total	20900.03	22484.66
EXPENDITURE			
			16384.22
Interest and Other Financial Expenses	M	13706.49	4027.95
Personnel Expenses	N	4152.50	889.29
Administrative Expenses	O		219.34
Bad Debt Written off		880.53	148.33
Provision towards Gratuity/Leave Salary	I	1050.96	4374.88
Depreciation/Amortisation	Total	621.00	
		186.94	
Profit Before Tax		20598.42	26402.05
Add: Dividend Payable withdrawn			-3917.39
Add/Less: Tax Provision withdrawn		301.61	0.00
Less: Provision for Wealth Tax		4.96	58.00



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

Profit after Tax		1.92	8.70
Add/Less: Loss Brought forward			
Deficit carried to Balance Sheet		8.50	-3984.09
			-53874.50
Notes & Significant Accounting Policies forming part of Accounts	P	296.15	
		-	
		57858.59	
		-	-57858.59
		57562.44	



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

OPERATIONS AT A GLANCE

Particulars	2006-2007	2007-2008	2008-2009	Since inception up to 31.03.0-2009
Paid up capital at the year end	97.84	97.84	123.05	—
Gross Sanctions:	1,326			
c. Number	424.53	1,195	1,420	1,60,645
d. Amount		368.15	565.24	9,101,77
Assistance to SSIs:	875			
c. Number	178.53	795	923	1,04,518
d. Amount		173.05	262.50	4,721,92
Disbursements	310.39	303.13	383.92	7,213,45
Loans outstanding	1,320.71	1,264.58	1,331.58	—
Recoveries	502.74	24	501.22	—



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

Percentage of NPA	33	265.21	9.71	–
Income	195.71		224.85	–
Expenditure	182.31	264.02	264.02	–
Operating Profit	17.32	8.25	8.25	–



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

KARNATAKA STATE FINANCIAL CORPORATION

BALANCE SHEET AS AT 31st MARCH, 2009

(Rupees in
lakhs)

Particulars	Schedule	As at	As at
		31-03- 2009	31-03- 2008
CAPITAL AND LIBILITIES:			
Share capital	A		27467.55
Loan Pending Conversion to Share Capital	B	52488.06	917.69
Reserves Fund and Other Reserves	C	917.69	5640.69
Term Borrowings	D		156142.19
Current Liabilities & Provisions	E	5566.71	18900.97
	Total	161945.34	
		9292.14	
			209069.08
	F	230209.94	
PROPERTY AND ASSETS:			
Cash & Bank Balance	G		
Investments	H		
Loans & Advances	I	6498.37	4995.99
Fixed Assets	J		
Current Assets		35275.56	15371.17



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

Profit and Loss Account Balance		107268.86	105734.63
		6094.41	6155.17
		17214.15	22937.62
Notes & significant Accounting Policies forming part of Accounts	P	57858.59	53874.50
		230209.94	209069.08



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

KARNATAKA STATE FINANCIAL CORPORATION
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31st MARCH, 2009

(Rs. in lakhs)

Particulars	Schedule	Year ended 31-03- 2009	Year ended 31-03-2008
INCOME			
Interest income	K	16923.75	18984.75
Other income	L	5560.90	7536.72
	Total	22484.66	26521.47
EXPENDITURE		16384.22	13634.01
Interest and Other Financial Expenses	M	4027.95	3383.73
Personnel Expenses	N	889.29	808.97
Administrative Expenses	O	219.34	413.39
Bad Debt Written off		148.33	1875.56
Provision towards Gratuity/Leave Salary	I	4374.88	76.11
	Total		0.00
Depreciation/Amortisation		26402.05	20191.77



LOANS SCHEMES SANCTIONED BY KSFC TOSSI

		-3917.39	6329.70
		0.00	41.00
Profit Before Tax		58.00	8.50
Add: Dividend Payable withdrawn		8.70	63.46
Add/Less: Tax Provision withdrawn			6216.74
Less: Provision for Wealth Tax		-3984.09	-
		-53874.50	60091.24
Profit after Tax		-57858.59	-
Add/Less: Loss Brought forward			53874.50
Deficit carried to Balance Sheet			
	P		
Notes & Significant Accounting Policies forming part of Accounts			



LOANS SCHEMES SANCTIONED BY KSFC TOSSI
