

## VARIOUS SCHEMES OFFERED BY KARNATAKA STATE FINANCIAL CORPORATION TO THE ENTREPRENEURS - A STUDY

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### Abstract

*The present paper provides a platform to understand the Role and Performance of KFSC and its operation process towards entrepreneurs, so in order to collect this information A Researcher has selected 100 Entrepreneurs who have borrowed loan in KFSC, Shivamogga. It particularly focused on Benefits of entrepreneurs about monetary and non-monetary facilities and also collects information about how this particular KFSC contributes towards economic growth and development through entrepreneurs and how it acts as Non monetary Financial Corporation, Finally the detail information about schemes and loans offered by the KFSC towards Entrepreneurs has explained. Therefore, small attempt have been made to understand the benefits of entrepreneurs as well as to the country i.e. how contribute towards economic development and how KFSC plays an important role in economic development today through entrepreneurs. The structured interview conducted to the entrepreneurs in Shivamogga who have borrowed loan from KFSC and the data collected will be arranged properly for the findings. It concentrates on the new emerging challenges, opportunities and issues in the field of Economics. Finally, it makes an attempt to offer suggestions to analyze the improvement of various schemes and loans offered by KFSC*

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### Introduction

The concept of an entrepreneur is known when principles and terms from a business, managerial and personal perspective are considered. The entrepreneur is a person who exhibits different kinds of behavior that includes:

- Initiative thinking,
- The organizing and recognizing of social and economic mechanisms to turn resources and situations to practical account and
- Acceptance of risk or failure.

Entrepreneurship is concerned as the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence that comes with it.

Entrepreneurship is an essential element for economic progress as it manifests its fundamental importance in different ways by

- Identifying, assessing and exploiting business opportunities,
- Creating new firms and/or renewing existing ones by making them more dynamic,

- And driving the economy forward through innovation, competence, job creation and by generally improving the wellbeing of society.

Entrepreneurship is the active process of recognizing an economic demand in an economy, and supplying the factors of production (land, labor and capital) to satisfy that demand, usually to generate a profit. High levels of poverty combined with slow economic growth in the formal sector have forced a large part of the developing world's population into self-employment and informal activities. But this is not necessarily negative; microenterprises contribute significantly to economic growth, social stability and equity.

The sector is one of the most important vehicles through which low-income people can escape poverty. With limited skills and education to compete for formal sector jobs, these men and women find economic opportunities in microenterprises as business owners and employees. If successful, entrepreneurship is likely to result in a small and medium enterprise (SME). They include a variety of firms; village handicrafts makers, small machine shops, restaurants, and computer software firms etc. that possess a wide range of sophistication and skills, and operate in very different markets and social environments.

Entrepreneurship development is concerned with the study of entrepreneurial behavior, the dynamic business set-up, development and expansion of the enterprise. Entrepreneurship development refers to the process of enhancing entrepreneurial skills and through structured training and institution-building programs. It is basically aims to enlarge the base of entrepreneurs in order to increase the pace at which new ventures are created.

This Entrepreneurship development focuses on the individual who wishes to start or expand a business small and medium enterprise development, on the other hand, it also focuses on developing the enterprise, whether or not it employs or is led by individuals who can be considered entrepreneurial. Further entrepreneurship concentrates more on growth potential and innovation than small and medium enterprise development does. Entrepreneurship is promoted to help alleviate the unemployment problem, to overcome the problem of stagnation and to increase the competitiveness and growth and growth of business and industries. Various attempts have been made to promote and develop entrepreneurship by government and private owned institutions. By giving specific assistance to improve the competence of the entrepreneur and his enterprise so as to enhance his or her entrepreneurial objectives and accommodate more people to become entrepreneurs as well.

## Review of Literature

An overview of relevant literature reveals that studies providing empirical evidence regarding entrepreneurship and entrepreneurship development. Many work have been done earlier on entrepreneurship and its development but some of the important studies are reviewed as under

1. **Shrinivas K T (October 2013) made a study on role of KSFC in promotion of enterprises and employment generation in Karnataka.** He stated that, the

economic development of any country depends on the existence of a well and strong organized financial system. It is the financial system that supplies the necessary inputs to enterprise or industries for the production of goods and services which in turn promote the well being and standard of living of the people of the country by generating a good number of employment opportunities. State financial corporation's are also the part of financial system contributes for the development of the country. Karnataka State Financial Corporation also plays a vital role in the promotion of Enterprises and Employment generation for economic development. KSFC has promoted many enterprises and helped newly emerging entrepreneurs to develop their plan towards their objectives and implement it, which also helps in the economic development of the country and it also provides employment opportunities to many people. It also gives suggestions to the enterprises which have taken financial assistance from KSFC at initial stage and it also provides working capital loan to enterprise. KSFC is playing major role in State of Karnataka in promotion of enterprises and employment generation.

2. **Inchara P M Gowda (September 2016) made a study on performance evaluation of develop financial institutions- a case study on KSFC.** She stated that, micro, small and medium enterprises are playing a stupendous role in the overall development of Indian economy. The Developmental Financial Institutions such as Karnataka state financial corporations have become, to a greater extent, a panacea for the financial tribulations of MSMEs. In spite of constraints, it has been doing a commendable job of assisting MSMEs in the state. Major problem of this corporation is its accumulated loss.
3. **Anil Kumar B Kote and Chaya K Degaonkar (December 2013) made a study on role of promotional agencies in industrial development: an analysis in the context of Karnataka State Finance Corporation.** They stated that, the KSFC is one among the leading financial corporation in the country. It is playing a vital role in industrial growth of our state in general and particularly in industrial backward regions like Hyderabad Karnataka region. KSFC is moving in tandem. It is fine tuned to fulfill the plans and aspirations of entrepreneurs by extending all possible assistance. It provides finance to industries. It is playing a major role in the industrial development of the region.
4. **Anil Kumar.B.Kote (2012) made a study on role of KSFC to fulfill the plans and aspirations of entrepreneurs by extending all possible assistance.** The main objective is to analyze the performance of KSFC's providing financial assistance to small scale industries. The study covers industry wise, contribution wise, size wise and district wise credit sanctions and disbursements in Karnataka. The study states that large portion of advances have gone to food processing and hotel industry. During the 2004 and 2005 out of the sanctioned amount the Rs557.52 lakhs the amount disbursed was Rs516.97 (92.72%) in that food processing units got Rs120.59 lakhs (21.62%) and hotel industry got Rs. 102 lakhs (19%). KSFC sanctioned amount to these industry to reach considerable industrial growth. KSFC has failed in its objective of balanced development, as most of the sanctions have been made

only to few district of Karnataka and a small share of the total amount sanctioned h gone to the backward district

### **Statement of the Problem**

KSFC is both complement and compete with commercial banks, forcing them to be more and responsive to customer needs. The common characteristics of these institutions are that mobilization of savings and facilitate the financing of different activities, but they did not accept deposits from the public. It plays a very important role in financial system of Karnataka. They complement the role of commercial banks by filling gaps in their range of services. They compete with the banks and force them to be more efficient and responsive to the needs of their customers. It helps in substantial employment generation, creation of wealth, to finance weaker section, capital formation, mobilization of resources etc.

But it is not free from problems. It also faces a large number of challenges. Despite of being small in size, they are also ordered to follow strict set of guidelines. They have to compete with the tough competition from the commercial banks. Entrepreneurship development is the major challenge in the lead of India. Many of the institutions are showing their supportive role towards development of entrepreneurs.

### **Objectives of the Study**

1. To study the growth and performance of KSFC.
2. To study various schemes available in KSFC.
3. To study the schemes of KSFC towards entrepreneurial development...
4. To analyze the entrepreneurs perception towards KSFC
5. To offer suggestions for the better performance of KSFC.

### **Scope of the Study**

The scope of the study is confined to Shivamogga district only. The present study is relating to the study performance of KSFC and its impact towards entrepreneurs, common people, achievements, social responsibilities etc.

### **Sample Design**

The present study used simple random sampling to conduct survey for 100 respondents/entrepreneurs who borrowed loan from KSFC to collect information from them in Shivamogga district.

### **Sources of Data**

For the present study, information is collected from difference sources like primary and secondary. Primary data are collected by conducting interview to the entrepreneurs, and secondary data from different books, news papers, research books, annual reports, bulletins, articles, journals, internet sources etc., secondary information is collected.

### **Period of the Study**

Researcher has taken 15 months time to complete this Research paper

### **Role of KSFC**

KSFC offers a number of loan schemes to the existing and potential industrial enterprises which are specially designed to respective sectors. Each scheme has its own concession to the enterprises on time basis they are,

- Long term loans
- Short term loans.

The assistance will be in the following form

- Loans and assistance with liberal repayment period including moratorium (The period shall not exceed 7 to 8 years from the date of issue)
- Loans in collaboration with other Financial institutions like IDBI, IFCI, etc.,
- Special capital schemes: In this scheme the corporation subscribes capital in companies promoted by small entrepreneurs.
- Technician's schemes: The technician's scheme envisages attracting technocrats and professionals in various disciplines. Who are working in responsible position in manufacturing, Financial, Marketing undertakings intend to set up a viable on traditional projects. This scheme would also enable technocrat entrepreneurs to join hands with professional entrepreneurs. So that pooled expertise would contribute considerable to the success of the project.

### **Loan Schemes Exclusively For SSI'S**

The following are the loan schemes which are KSFC provide to SSI sector.

#### **National Equity Fund Scheme (NEF)**

The objective of this scheme is to provide equity type of support to entrepreneur's assistance from NEF helps the small-scale units in strengthening their equity base and there by improve their acceptability for term Financing. The eligible borrowers under this scheme are sole proprietary concerns, Partnerships, Co-operative society's private limited companies

#### **Eligible Criteria**

- New units in the tiny and SSI sectors for the manufacture processing or preservation of goods.
- Service enterprises (except road transport operators) satisfying investment ceiling.
- Existing units going for expansion, modernization and or diversification whose actual total project cost (including working capital margin) does not exceed ` 50 lakhs as on the date of consideration for the coverage.
- Sick units in tiny and SSI sectors considered potentially viable.
- The unit can be located anywhere in the state irrespective of population limit.

### **Loan Scheme for Commercial Complex**

The commercial complexes are an important infrastructure for growth of SSI service units. Marketing outlets, and for small businesses with a view to facilitate the development of this infrastructure. A new scheme of financial assistance had been introduced. The assistance is given for establishing such complexes in Bangalore district quarters and other cities.

### **Special Note**

- The commercial complex project or any part these of shall not be covered under National Equity Fund and Mahila Udyam Nidhi Schemes.
- No interest concession shall -be shown even if the project is promoted by the existing unit obtaining in house credit or AA is AAA.

### **Loan Scheme for Maintenance and Construction of Roads**

Roads form the lifeline of transportation, provides an economical, fast way of reaching goods and people from one place to another.

KSFC offered an innovative scheme under which it provides financial assistance for acquiring machinery and equipment needed to construct and develop roads.

The units which are in existence for a minimum period of two years. Working profitably for the last two years and have been registered with the government agencies like PWD, CPWD, MES are eligible for Financial assistance.

### **Loan Scheme for Marketing Related Activities - AMARA SCHEME**

The success if any industrial enterprises are directly related to its marketing strategy keeping this in view. KSFC has introduced a new scheme to assist successful enterprises for product promotion, development of new and existing markets and to facilitate the development of marketing infrastructure in Karnataka.

Financial assistance is provided to small and medium scale units to undertake various activities to increase their sales in the domestic and foreign markets and / or to create physical marketing infrastructure.

### **Loan Scheme for Hotel Industry / Mobile Canteens**

The medium standard hotels proposed in state capital, district and taluk headquarters and important tourist locations within state are eligible for financial assistance. The existing hotels are going in for expansion / renovation is also eligible for assistance.

The hotel should have boarding, lodging and restaurant facilities and buildings plans approved by the local authorities. Hotels proposed as per the specification of tourism department, government of Karnataka are eligible for incentives as per the government tourism policy.

### **Loan Scheme for Qualified Professionals**

The qualified professionals in the fields of management, accountancy, medicine, veterinary, architecture and engineering are provided financial assistance for setting up business enterprises / private practice / consultancy units under this scheme. Both new and existing professional entrepreneurs are eligible for financial assistance. The ceiling on project cost is Rs. 10.00 lakhs.

### **Loan Scheme for Acquisition of New Office Building**

Financial assistance for acquisition of land and for construction of office building thereon and for furnishing the office to its requirements can be considered. Assistance is also extended for acquisition of ready built office space in a multistoried complex and for furnishing the same firms and companies which have been in operation for at least 5 years with a successful track record for the preceding 3 years. This scheme is at present applicable to Bangalore city only. The minimum promoter's contribution shall be 25% security margin minimum 25% and debt equity ratio 2:1.

### **Single Window Loan Scheme**

KSFC's single window scheme term loan working capital for tiny and small-scale industries.

While a term loan helps in acquiring the necessary infrastructure. It is the working capital that sets the wheels of a small-scale industry moving. Bearing this in mind. KSFC brings you a novel financial scheme that gives assistance for both term loan and working capital.

This loan scheme is for providing assistance to new tiny and small units whose project cost (Excluding working capital margin) does not exceed Rs. 30.00 lakhs and the total working capital requirement at the normal level of operation are up to Rs. 20.00 lakhs.

### **Loan Scheme for Tourism Related Facility**

Tourism related activities such as setting activities such as setting up of restaurants, travels and transport service, tourist service agencies cultural and convention centers. Amusement parks etc. are eligible for financial assistance in the form of term loan. Commercial complex with hotel facility are also eligible for financial assistance.

### **Loan Scheme for Transport Industries**

Assistance is provided in the form of term Loan up to 75% to 80% of cars auto-rickshaw for transportation of public goods or passengers as the case may be the assistance is for acquiring new vehicles only preference will be given to applicants with experience in the line and those having regular transport contract / interstate permits application for assistance from owners of more than 6 vehicles are not considered in view of the policy to assist only the smaller entrepreneurs engaged in transport operation. Black board vehicle such as cars, vans, Omani, buses are also financial subject to eligibility. The loans under this scheme are to be secured by war or collateral securities acceptable to the KSFC.

### Corporate Loan Scheme

KSFC has a scheme to assist successful entrepreneurs to meet their short term requirements for the execution of large orders meeting temporary working capital shortages L.C. on the purchase of equipment Financial assistance for minimum of assistance Rs 5.00 lakhs maximum of assistance is Rs. 20 lakhs to proprietary and partnership firms and Rs 50.00 lakhs for Co-operative societies and companies & promoters contribution 5%. Proprietary concerns, partnership firms, private / public limited companies, trusts and co-operative societies are eligible for assistance under the scheme. Non-residential properties located within the city and Municipal Corporation limits of Bangalore, Mangalore, Hubli, Dharwad, Gulbarga, Shivamogga, Bhadravathi, Mysore and Belgaum and earning an aggregate minimum gross rent of not less than Rs. 25,000/- per month from eligible tenants of the premises are only eligible for the assistance properties located outside the Bangalore city corporation limits will however be considered depending upon the location of the property and - the infrastructure advantages enjoyed by the Loan Scheme for Financing Existing Assets and Enterprises.

### Eligibility

The existing Proprietary concerns, partnership firms, corporate bodies and other eligible constitutions / engaged in the activities eligible for assistance from the corporation and in existence for a minimum period of two years with good track record.

### Eligible Assets

- **Plant and Machinery:** Machinery of reputed make with minimum residual life of 10 years as assessed by the technical officers of the corporation supported by a certification from a chartered engineers.
- **Land and Building:** Industrial/Commercial properties located at prominent places within a municipal limit with a minimum of 20 year residual life. The building should be of good quality and assistance will be subject to certification by the technical officers of the corporation.
- **Extent of Finance:** The minimum limit of Finance under this scheme shall be is ` 10.00 lakhs and maximum as per the prevailing norms applicable for term loan. The norm regarding promoter's contribution and DER shall be as per prevailing norms.
- **Security Margin:** The extent of Financial Assistance shall be not more than 70% of the estimated value of the assets being considered for finance.

### Loan for Financial Assistance to Educational institutions

The objectives of this are to provide financial assistance to existing educational institutions (Including Residential Schools) set up in the state of Karnataka.

### Eligible Assets

Assistance under the scheme is available for meeting the expenditure on :

- Purchase of land, construction of Building purchase of ready - built building etc.,

- Purchase of capital equipment such as furniture lab equipment, machines, computers, etc., required for the purpose of teaching / learning.
- One time investment on purchase of library books / sport materials etc.,
- Purchase of possesses busses / vans for the requirement of studying in the institution.
- Maintenance expenditure and the recurring expenditure are not eligible for financials, no working capital funds can be covered under the scheme.

**Eligible Borrower:** Proprietary concerns, partnership firms co-operative societies, private and public limited company and truth promoted by reputed persons with good financial and academic background.

**Project Cost:** The Project cost shall not exceed Rs 20.00 lakhs.

**Debt Equity Ratio:** DER shall not be more than 2:1

Promoters Contribution: Minimum 25% of the Drollest cost.

**Extent of Finance:** Maximum 75% of the cost of proposed fixed assets.

**Rate of Interest:** The rate of interest applicable under the scheme is on par with the rate of interest applicable to non SSI units i.e. 14.25 % p.a. at present with a rebate of 1%

### **Equipment Lease Finance**

Industrial units working profitably can avail services of plant and machinery / equipment of lease without making investment or incurring debt obligation and become more competitive and efficient. The minimum assistance is Rs 5.00 lakhs. The applying unit should be in production for the last 2 years earning profits and regular in repayment to financial institutions / bank. The units requiring lease finance may approach equipment lease finance and hire purchase department.

### **Hire Purchase**

This scheme provided for a fast, easy alternative to ready cash. Industrial concerns in commercial production for 2 years and earned profits and are regular in their repayment to financial institutions / banks can avail assistance. The minimum assistance is Rs. 1. lakhs professionals and commercial transport operators can also avail the assistance. The units requiring hire purchase assistance may approach equipment lease finance and hire purchase department.

### **Merchant Banking and Financial Services**

KSFC has been approved as a category I merchant banks be the security exchange board of India (SEBI) and takes up management of public issues under writing of shares, deferred payment guarantees, Project report preparation, syndication of loans, bill discounting etc., The fund based activities comprises of subscription to non convertible debentures factoring services etc., for further details the units may approach merchant banking and financial service department.

### **Findings**

- Majority of the entrepreneurs who borrowed loan from KSFC are male, post graduates and also belong to middle age group.
- KSFC is providing more funds for the establishment of new ventures and there by contributing towards the entrepreneurial development.
- KSFC is suffering from accumulated losses.
- Most of the entrepreneurs are approaching banks for loans because of lack of promotion by KSFC relating to their products and services.
- Majority of the people borrowed loan from KSFC because of availability of loans at low rate of interest...
- The KSFC has provided a long term loan that is for 4 years and more than 4 years when compare to other type of loans.
- Many entrepreneurs availed loan from KSFC at the rate of 8% to 12% rate of interest.
- Majority of the customers of KSFC borrowed loan for the purpose of purchasing plant and machinery.
- Many numbers of customers are not happy with the installment facilities offered by the KSFC.
- Hotel / restaurant / construction activities sector stood first with financial assistance out of total investment made by KSFC.
- KSFC has contributed for the empowerment of women and assisting them in undertaking entrepreneurial activity by providing ED programmes
- KSFC has created the employment opportunity for many people in the form of self employment and also by contribution towards the new ventures in the state.
- The KSFC has taken special care to ensure that its products and services are customer centric, with an inclusive approach to meet the needs of all the customers.

### **Suggestions**

- KSFC should reduce the steps taken by it for the sanctioning of loan and it should take less time to sanction loan amount.
- Officials of KSFC should educate the entrepreneurs about various schemes and subsidies and terms and conditions, So that the entrepreneurs feel no difficulty in obtaining the required facility.
- KSFC should take various promotional activities like ads in TV, news papers, etc., to promote various unknown schemes and make the people to go for those schemes also.
- KSFC should set up a public grievance cell to solve the problems of its customers.
- It is necessary to undertake credit appraisal rigorously and on continuous basis throughout the life cycle of the projects assisted in order to wipe out the entire accumulated loss and also to avoid this situation again in future.
- Recovery officers must be thoroughly trained through reputed training institutes and seminars to be conducted by various development financial institutions.

- Careful analysis of prospective borrowers should be made both project and the person behind the project should be viable and competitive one to reduce credit default.
- It should extend its products and services to various other sectors and make them avail services from it.
- It should provide some more attractive schemes like loans with no interest or low interest etc., for the empowerment of women and also for the development of the society.

## Conclusion

Karnataka is one of the top five industrialized states in the country. KSFC is responding positively to the requirements of the industrial service and other sectors of Karnataka .Because industries have been considered as the engine of economic growth as well as backbone of the economy. In this background there is a need of strong financial system with financial institutions to promote entrepreneurial activity for the economic growth of the country.

KSFC has playing a vital role in the promotion of enterprises and employment generation for the economic development. KSFC has promoted many enterprises and helped newly emerging entrepreneurs to develop their plan towards their objective and implement it, which also helps in economic growth of the country and provides employment opportunities many people. It also gives suggestions to the enterprises which have taken financial assistance from KSFC at the initial stage and also provides working capital loan to the enterprises.

KSFC is playing major role in Karnataka in promotion of entrepreneurial activity and employment generation. It is also performing on par with any other national financial institutions in promotion of industries but still lot of scope is there to improve its operation for establishment of enterprises. At last the performance of KSFC in promotion of enterprises is commendable and worthwhile.

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