

Fostering Development of Entrepreneurs in Karnataka: A Study with Reference to Karnataka State Financial Corporation

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1.1: Introduction

The Government of India and the various State Governments over a period have started many Financial Institutions for the promotion of Industrialisation. These Financial Institutions playing crucial role in the development of entrepreneurship in the country. They provide not only the financial assistance but also, wherever there need be, the technical assistance. They assist not only large industries but also small, medium, micro enterprises etc. Karnataka State Financial Corporation is one of the pioneer financial institutions established by Government of Karnataka to cater to the needs of entrepreneurs in the state. Karnataka State Financial Corporation has introduced many industry friendly innovative schemes for the development of entrepreneurs in the State.

1.2: The main objectives of the study are:

1. **To study the types of schemes provided by KSFC**
2. **To Analyze the size wise sanction of amount by KSFC during the last five years from 2010-11 to 2014-15**
3. **To Analyze Industry wise assistance by KSFC for the past five years from 2010-11 to 2014-15.**

1.3: Sources of information:

Researcher has used both primary and secondary data to address the research problem. Primary data needed for the study has been collected directly by interacting with KSFC officials researcher has also interacted with select entrepreneurs to elicit their views about the effectiveness of KSFC's schemes. Secondary data has been collected from books, journals, annual reports of KSFC, library, websites etc.

1.4: The limitations of the study are as follows

1. The study is limited to Karnataka state only.
2. The study includes only the schemes provided by KSFC for development of entrepreneur in Karnataka state only. Study does not compare the schemes provided by KSFC with other financial institutions
3. The financial data taken for the study is for five year from 2010-11 to 2014-15.

1.5: Concept of Entrepreneur

The word 'entrepreneur' is derived from French word 'Entreprendre' which was used to designate an organizer of musical or other entertainments. Later in 16th century it was used for army leaders. It was extended to cover civil engineering activities such as construction in 17th century. But it was Richard Cantillon, an Irishman living in France who first used the term entrepreneur to refer to economic activities. According to Cantillon "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices". Entrepreneur, according to Cantillon, is a bearer of risk, which is non-insurable. Schumpeter gave a central position to the entrepreneur who believed that an entrepreneur was a dynamic agent of change; that an entrepreneur was a catalyst who transformed increasingly physical, natural and human resources into correspondingly production possibilities. Since then the term entrepreneur is used in various ways and various views.

Some more important definitions of entrepreneur are

1. **According to F.A.Walker:** "Entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the factors of production, i.e. land, labour capital and enterprises".
2. **Peter F. Drucker** defines an entrepreneur as one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the basic tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.
3. **According to Max Weber:** "Entrepreneurs are a product of particular social condition in which they are brought up and it is the society which shapes individuals as entrepreneurs".

1.6: History of Karnataka State Financial Corporation

Karnataka State Financial Corporation is a State level financial institution established by the State Government in the year 1959 under the State Financial Corporations Act 1951, mainly to meet the long

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term financial needs of Micro, Small and Medium Enterprises (MSMEs) in the State of Karnataka. Today, while the State economy 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 fulfill the plans and aspirations of entrepreneurs by extending all possible assistance. 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. Its achievements in these areas are unparalleled. Since inception, KSFC has assisted more than 1.60 lakhs units with cumulative sanction of more than Rs. 10,464 crore out of which about 50% is towards SMEs. Amendments to SFCs Act provide wide-ranging scope in financial assistance and operational flexibility. Keeping this in view, KSFC has re-engineered itself to ensure utmost customer satisfaction with new energy, thrust and speed. In line with this, the Corporation has put in place comprehensive, client-friendly, need-based policies in the areas of credits and recoveries. Apart from setting standards of performance, these policies would also achieve the objective of transparent governance. KSFC an ISO 9001:2000 certified organization is proud to have played a major role in the industrial development of the State. It is also the proud privilege of KSFC to have assisted many industries that are internationally recognized like INFOSYS and BIOCON.

1.7.1: Schemes of Karnataka State Financial Corporation

1. Credit Linked Capital Subsidy Scheme (CLCSS) : The objectives of the scheme is
 - a) To facilitate technology up gradation of Micro and Small Enterprises (MSEs) in specified products / sub-sectors by providing 15% capital subsidy for induction of proven technologies approved under the scheme.
 - b) The list of products / sub-sectors covered under the scheme is as per the approval of the Governing and Technology Approval Board (GTAB) constituted under this scheme.
2. Technology Up gradation for Textile Industries: The objective of the scheme is To provide encouragement to textile industrial units (including units in the cotton ginning and pressing sectors) in taking up technology up gradation and to modernize their production facilities
3. Interest Subsidy Scheme for Scheduled Caste / Tribe Entrepreneurs: The objective of the scheme is to provide Interest subsidy in respect of loans availed by SC/ST entrepreneurs.
4. Privileged Entrepreneurs' Scheme: The objective of the scheme is to meet short term funds requirements of the existing units which are under thrust / normal sectors of lending policy of the Corporation.
5. Assistance to Construction Activity (Term Loans): The objective of the scheme is To provide assistance to the construction activity sector like Construction of commercial complex; Construction of godowns and warehouses; Construction / buying of ready built show rooms and sales outlets; Construction of residential apartments / group housing etc
6. Assistance to Construction Activity (Corporate Loan): The objective of the scheme is to provide financial assistance to property developers, construction companies and firms for construction of group housing, commercial complexes, software parks and infrastructure projects like roads, flyovers, bridges etc.
7. General Corporate Loan Scheme: 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 a term loan is sanctioned and released by the financial institutions. The Corporation also extends corporate loan for meeting the statutory dues to the Government like payment of Income Tax, Sales Tax, Excise Duty etc.,
8. Assistance for Construction of Roads: The Purpose of the scheme is for acquiring capital goods, equipment including road rollers, asphaltting units, concrete mixtures, tippers, excavators, surveying and other supporting equipment towards development, maintenance and construction of roads.
9. Single Window Scheme: The objective of the scheme is to provide timely and adequate working capital assistance to micro, small and medium enterprises (MSME) along with term loan for fixed assets for entrepreneurs setting up new projects by KSFC.
10. Working Capital Term Loan – For Existing Units: The objective of the scheme is to provide timely and adequate working capital assistance to the existing micro, small and medium enterprises (MSME) that have availed term loans earlier from the Corporation, having proven track record.

11. Line Of Credit for Purchase of Raw Materials: The objective of the scheme is to provide timely and adequate working capital assistance in the form of WCTL to MSMEs for purchase of raw materials from KSSIDC.

12. Assistance for Marketing Related Activities: The objective of the scheme is to provide financial assistance to small & medium scale units to undertake various activities necessary to increase their sales in domestic and foreign markets and to create physical marketing infrastructure.

13. Acquisition of Existing Assets & Enterprises: The objective of the scheme is to extend financial assistance for taking over of existing assets / enterprises.

14. Assistance to Entertainment Industry: The objective of the scheme is to provide financial assistance for the construction / purchase of cinema halls, multiplexes, production of short TV serials, software for visual media publicity and feature films.

15. Assistance to Tourism Related Activities: The objective of the scheme is to provide financial assistance for setting up of Amusement Parks, Convention Centre's, Restaurants, Travel and Transport and Tourist Services Agencies.

16. Assistance to Health Care Services: The Purpose of this scheme is to provide Assistance to doctors / qualified medical practitioners For purchase of the premises / renovation of the existing premises, acquiring fixed assets like furniture, computers, office automation, ambulance, car / van, interiors and Medicare related equipment required for a clinic.

17. Scheme for Small Road Transport Operators: The Purpose of this scheme is to meets expenditure towards cost of chassis, body building, initial taxes and insurance for acquiring transport vehicles.

18. Acquisition of ISO 9000 Series Certification: The purpose of assistance of this scheme will be towards meeting the expenses on consultancy, documentation, audit, certification fee, equipment etc.

19. Scheme of Financial Assistance to Food Processing Industries: The objective of the scheme is to encourage Food Processing Industries to take up technology upgradation / setting up of new unit / modernization of existing units.

20. Rental Discounting Scheme: The objective of the scheme is to provide financial assistance on the strength of the rent earned by non-residential properties located within the city and municipal limits of Bangalore, Mangalore, Hubli, Dharwad, Gulbarga, Shimoga, Bhadravathi, Mysore and Belgaum and earning gross rent earned of not less than Rs.25,000/- per month from eligible tenants of the premises. The properties located outside the Bangalore City Corporation limits will also be considered on case to case basis depending on the location and infrastructural advantages enjoyed and rent earned. The tenants occupying the building should be reputed multi-national companies, nationalized and private sector banks, all India financial institutions, insurance companies, profit making public and private sector companies which are in existence for a minimum period of 5 years and earned profits etc.

21. Scheme for Financing Energy Saving Projects: The objective of the scheme is to promote energy saving MSMEs by providing financial assistance thereby contributing to environmental improvement and economic development in the State.

22. General Scheme: The objective of the scheme is to extend financial assistance for new MSMEs service sectors and for expansion, modernization, diversification etc, by the existing units.

23. Scheme for Micro Finance Activity: The objective of the scheme is Micro Credit or Micro finance refers to extending small loans to very poor families for self employment projects that generate income, allowing them to care for themselves and their families. The distinctive feature of this concept is empowerment of women financially. The Women will be organized into Self Help Groups (SHGs) and Joint Liability Group (JLGs) and will be involved in productive activities through micro finance.

1.7.2: Other types of services provided by KSFC:

1.7.2.1: Table shows the different types of services provided by KSFC

Sl. No	Fund Based Activities	Non Fund Based Activities	Financial services
01	Equipment Lease Finance	Deferred Payment Guarantee	Issue Management
02	Hire Purchase Scheme	Under Writing of Public Issued	Pre-Issue Project Appraisal
03	Rental Discounting Scheme	Insurance Activity	Foreign Letter of Credit
04	Bill Discounting Scheme	Financial Guarantee	Project Report

			Preparation
05	Equity Participation		
06	Factoring Facility		
07	Subscription to Non-Convertible Debentures		

The operation of the schemes such as Bill Discounting, Equity Participation, Financial Guarantee, have been temporarily suspended. The fee based and financial services activities such as Underwriting of Public Issue, Issue Management, Pre-Issue Project Appraisal and Project Report Preparation are undertaken by the HP & FS department at head office.

1.8.1: Table1 - Size wise sanction of amount by KSFC for the past five years from 2010-11 to 2014-15

Size of Amount	Up to 10L	Above 10 L to 45L	Above 45 L to 150L	Above 150L to 300L	Above 300L to 500L	Above 500L	Total
Years	Amount In crore	Amount In crore	Amount In crore	Amount In crore	Amount In crore	Amount In crore	Amount In crore
2010-11	22.05	153.52	267.69	118.17	102	68.2	731.63
2011-12	11.15	88.84	245.83	162.56	155.23	153.71	817.32
2012-13	11.89	101.92	334.48	221.62	165.37	108.78	944.06
2013-14	8.12	93.89	313.4	193.34	108.18	192.33	909.26
2014-15	5.86	70.92	269.39	120.81	74.02	134.15	675.15
Total Amount	59.07	509.09	1430.79	813.5	608.8	657.17	4077.42
Amount in Percentage	2	12	35	20	15	16	100%

Source: Annual reports of KSFC from 2010-11 to 2014-15

Analysis & Interpretation

Table 1.8.1: Shows Size wise sanction of amount by KSFC for the past five years from 2010-11 to 2014-15. The total amount sanctioned by KSFC, up to 10 lakhs to each unit, was 59.07 crore i.e. 02 percent of total amount, between 10 to 45 lakhs sanctioned to each unit was 509.09 crore i.e. 12 percent, 45- to 150 it was 1430.79 crore i.e. 35 percent, 150 to 300 lakhs it was 813.5 crore i.e. 20 percent, 300 to 500 lakhs it was 608.8 crore i.e. 15 percent and above 500 lakhs the total amount sanctioned by KSFC in the last five year from 2010-11 to 2014-15 was 657.17 crores i.e. 16 percent of total amount.

The maximum amount sanctioned by KSFC was falls under the size group of 45 to 150 lakhs. The amount sanctioned by KSFC was 1430.79 crore which was 30 percent of total amount.

1.8.1: Graph: Size wise sanction of amount by KSFC for the past five years From 2010-11 to 2014-15

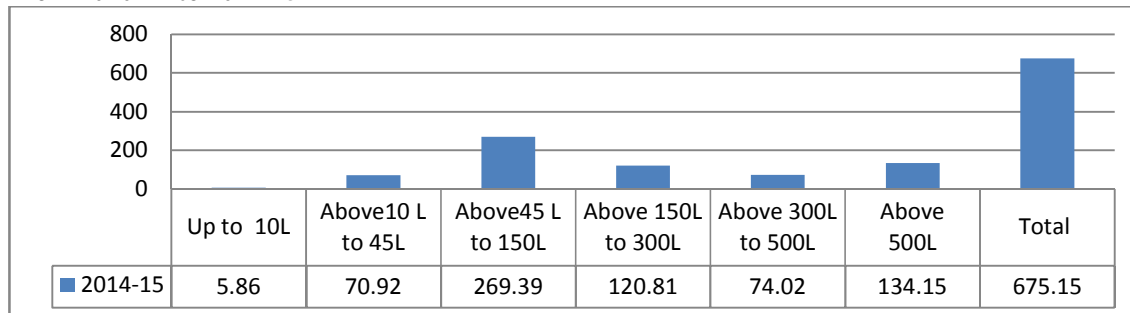


Table 8.1.2: Number of unites got assistance from KSFC for the past five years From 2010-11 to 2014-15

Size of Amount	Up to 10L	Above 10 L to 45L	Above 45 L to 150L	Above 150L to 300L	Above 300L to 500L	Above 500L	Total No. of Units
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Years	No. of Units	No. of Units	No. of Units	No. of Units	No. of Units	No. of Units	
2010-11	236	646	511	84	42	18	1537
2011-12	156	510	551	163	59	46	1485
2012-13	160	528	631	187	63	29	1598
2013-14	117	475	576	175	48	35	1426
2014-15	81	344	475	112	45	35	1092
Total Units	750	2503	2744	721	257	163	7138
Units in Percentage	10.5	35.07	38.44	10.1	3.6	2.29	100

Source: Annual reports of KSFC from 2010-11 to 2014-15

Analysis & Interpretation

Table 8.1.2: Shows Number of unites got assistance from KSFC for the past five years from 2010-11 to 2014-15. Out of the total number of units, 750 units got upto 10 lakhs rupees assistance from KSFC i.e. 10.5 percentage of total number of units, 2503 units got 10 to 45 lakhs rupees i.e. 35.07 percentage, 2744 units got 45 to 150 lakhs rupees i.e. 38.44 percentage, 721 units got 150 to 300 lakhs rupees i.e. 10.1 percentage, 257 units got 300 to 500 Lakhs rupees i.e. 3.6 percentage and 163 units got above 500 lakhs rupees assistance from KSFC i.e. 2.29 percentage of the total number of units.

The maximum amount sanctioned by KSFC falls under the size group of 45 to 150 lakhs. The number of units got assisted by KSFC was 2744 units which was 38.44 percent of total number of units

.Graph1.8.2- Number of unites got assistance by KSFC for the past five years From 2010-11 to 2014-15

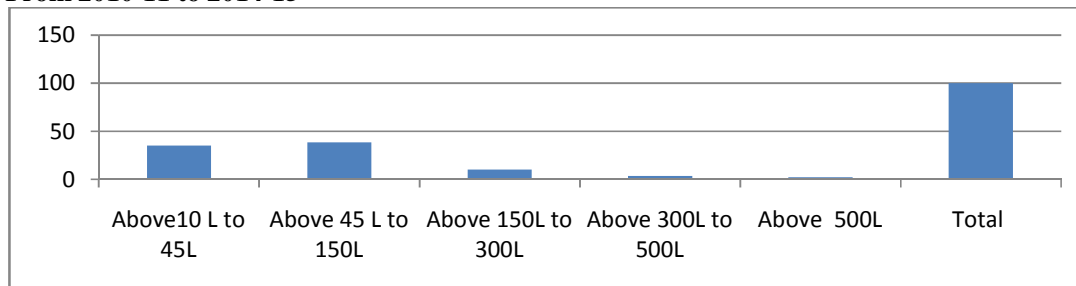


Table 1.8.3: Showing Industry wise sanction of amount by KSFC for the past five years from 2010-11 to 2014-15

Sl No	Industry	2010-11 Amount	2011-12 Amount	2012-13 Amount	2013-14 Amount	2014-15 Amount	Total Amount	Amount in %
1	Hotels / Construction Activities	235.78	350.48	399.35	373.9	284.33	1643.84	40
2	Engineering	108.83	97.45	69.28	94.71	76.08	446.35	11
3	Food	108.53	88.15	127.79	97.28	70.73	492.48	12
4	Non-Metallic Products	59.44	47.26	93.68	72.99	65.82	339.19	8
5	Miscellaneous Manufacturing	48.67	79.38	98.99	98.8	44.68	370.52	9
6	Chemicals	44.03	6.88	17.99	19.4	11.88	100.18	2
7	Others	33.42	23.47	15.43	22.48	11.73	106.53	3
8	Textiles & Readymade Garments	29.19	42.68	26.11	58.65	32.55	189.18	5
9	Rubber & Rubber Products	21.25	8.04	3.41	15.85	3	51.55	1
10	Printing & Publishing	16.1	19.22	19.06	13.79	29.62	97.79	2
11	Basic Metal	11.66	18.96	21.48	8.07	16.54	76.71	2
12	Transport / Tpt. equipment	9.37	18.2	29.89	20.03	15.28	92.77	2
13	Paper & Paper	5.36	4.3	8.91	6.51	3.92	29	1

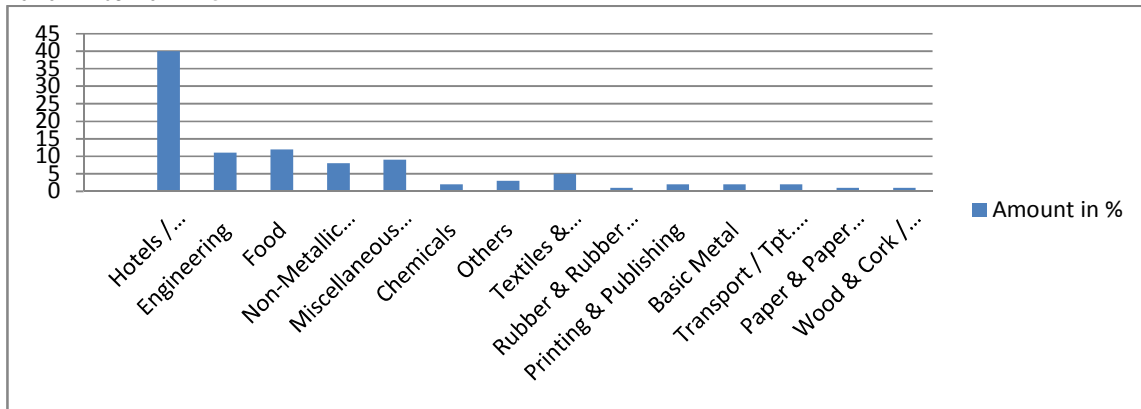
	Products							
14	Wood & Cork / Furniture & Fixtures	Nil	12.85	12.69	6.5	8.99	41.03	1
Total							4077.12	100

Source KSFC Annual report for the past five years

Analysis & Interpretation:

Table 1.8.3: shows Showing Industry wise sanction of amount by KSFC for the past five years from 2010-11 to 2014-15.

Graph 1.8.3: Showing Industry wise sanction of amount by KSFC for the past five years from 2010-11 to 2014-15



Concluding Remark

Karnataka State Financial Corporation has given many opportunities for entrepreneurs by providing financial and non-financial assistances. It is evident from the study that KSFC has provided many schemes for the development of entrepreneurs in the state of Karnataka. KSFC has assisted large number of industrial units to start production and the large amount of money was disbursed for the development of entrepreneurship through various projects. The intuition has helped many entrepreneurs to realize their dreams. In turn it has successfully able to generate maximum number of entrepreneurs in the state and which leads to the economic, industry and entrepreneurs development in the state of Karnataka.

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