

Role of State Financial Corporations in the Development of Micro, Small and Medium Enterprises : A Study with Special Reference to West Bengal Financial Corporation

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Abstract : The Micro, Small and Medium Enterprises (MSMEs) contribute almost 40% of the gross industrial value added in the Indian economy. By its less capital intensive and high labour-absorption nature, this sector has made significant contribution to employment generation and rural industrialization. However, lack of access to finance and timely credit as well as escalating costs are cited as important reasons for under-utilization of the manufacturing capabilities of MSMEs. State Financial Corporations have been established to provide various types of financial and non-financial assistance to this sector. In this regard, West Bengal Financial Corporation (WBFC) was set up in the year 1954 with the objective of providing financial assistance to MSMEs in the state of West Bengal. In this paper, an attempt has been made to analyze the role of State Financial Corporations, especially the WBFC in the development of MSME sector.

Key words : Micro, Small and Medium Enterprises (MSMEs); State Financial Corporations; West Bengal Financial Corporation (WBFC); Financial Assistance.

1. Introduction

The Micro, Small & Medium Enterprises (MSMEs) sector is one of the fastest growing industrial sectors in the world economy; the Indian scenario is no different. The contribution of MSMEs to our national economy in terms of creating a vibrant manufacturing sector, winning the global market through increased exports, employment generation etc. has been highlighted on many occasions. Given the expectations from the MSMEs sector to contribute towards achieving India's targeted economic growth rates of 9%–10%, there is a need to address the problems faced by them. MSMEs in India are mostly in the unorganized sector and are the source of livelihood for millions of people. The social contribution made by MSMEs is even more significant than its economic contribution. Within the MSMEs sector, the small sector serves as a seed-bed for nurturing entrepreneurial talent and originating units to grow eventually to medium and large enterprises. The promotion of MSMEs, therefore, becomes a major area for

policy focus. Regeneration of MSMEs must receive public support particularly for the village, cottage and micro level enterprises. Despite their economic significance, MSMEs face a number of bottlenecks that prevent them from achieving their full potential.

Major obstacles for business development for MSMEs relate to a wide range of issues:

- i. Lack of access to finance and timely credit as well as escalating cost are cited as primary reasons for under-utilization of the manufacturing capabilities of MSMEs.
- ii. The infrastructural facilities in India have not reached to the desired level. This restricts private initiatives in this sector. Therefore, creation of better infrastructural facilities for MSMEs must receive greater priority.
- iii. A multiplicity of regulating agencies lead to harassment and inspections with greater impact on operations of MSMEs than on larger units.
- iv. With growing access to modern means of communication, particularly revolution in the information technology, the sheltered market for the MSMEs product is no longer so. MSMEs should join hands globally to create a global commodity chain. In this regard, MSMEs mother units in marketing, similar to mother units in production, may be promoted.
- v. Cutting-edge technology becomes difficult to access for MSMEs due to the high initial costs leaving them behind in the race for competitiveness.

Out of these the main problem in MSMEs development is inability to access timely and adequate finance. There are several reasons for low MSMEs credit penetration, key among them being insufficient credit information on MSMEs, low market credibility of MSMEs (despite their intrinsic strengths) and constraints in analysis. This leads to sub-optimal delivery of credit and services to the sector.

As the access of MSMEs to capital markets is very limited, they largely depend on borrowed funds from banks and financial institutions. While investment credit to MSMEs is provided by financial institutions, commercial banks extend working capital. In the recent past, with growing demand for universal banking services, term loans and working capital are becoming available from the same source. Besides the traditional needs of finance for asset creation and working capital, the changing global environment has generated demand for introduction of new financial and support services by MSMEs. There is an urgent need to regenerate MSMEs financing. As the MSMEs have been the greenfield for nurturing entrepreneurial talent, first generation entrepreneurs should be facilitated in access to the desired finance through creation of guarantee funds. Finance should not only be timely but also cost-effective.

The financing of the MSMEs sector has received some attention since independence. A multi-level institutional structure exists for financing of small enterprises and non-farm enterprises in India. This consists of Commercial Banks, Cooperative Banks, Regional Rural Banks (RRBs), State Financial Corporations (SFCs). Credit to small enterprises comes under priority sector lending programme of banks. The Reserve Bank of India (RBI) constantly reviews

the flow of credit to this sector. To improve the flow of credit, the RBI has constituted several committees and working groups since 1991. Notable among the committees are Nayak Committee, Kapur Committee and Ganguly Committee. Appropriate measures have been taken by the RBI and Government from time to time based upon the decisions of the Standing Committee on SSI set up by the RBI. An exclusive refinancing bank, called Small Industries Development Bank of India (SIDBI) was set up in 1990 for the purpose of channeling of finance to MSMEs in an organized manner. Further, refinance to SFCs has also been made attractive in terms of low rates of interest. The issue of providing micro-credit to micro-enterprises through the development of SHG-Bank Linkage Programme rests mainly with National Bank for Agricultural and Rural Development (NABARD). However, major part of SHG-Bank Linkage credit is in the form of micro-credit to meet production and consumption needs and not for micro-enterprises. The Government of India has launched the Credit Linked Capital Subsidy Scheme (CLCSS), which aims at facilitating technology upgradation of MSMEs in specified products or sub-sectors.

Performance, problems and other issues of MSMEs in India has been investigated and examined by academicians, researchers and analysts from time to time. Some of the works related to institutional support are mentioned below.

Peter (1996) examined the performance of small-scale industries by drawing a sample of 543 SSIs in Jammu and Kashmir established under 14 District Industries Centers (DICs) situated in different districts and supporting agencies and institutions. The study attributed prevalence of sickness among SSI units to lack of coordination between DIC and other supporting agencies or institutions. The other factors identified were inadequate technical support to the entrepreneurs, delay in payment of bills, low recovery of bank funds, innumerable laws etc.

Manickavel (1996) examined 849 listed problems over the life cycle i.e. marketing, managerial and a financial on a sample of 364 SSI units from Kamarajar district of Tamil Nadu. The study indicated significant dominance by marketing and financial problems in the formation stage and relative prevalence of managerial problems throughout the life cycle.

Satyanarayan and Misra (2001) identified chronic sickness among SSIs due to inadequate application of internal management techniques about marketing, organizing, management financial control, decision-making changes and above all the planning similar to those assessed by SBI Study Team (1975). Their study stressed upon the effectiveness of works management, receivable management for seeking adequate control on cash flow pipeline and above all ensuring reliable scientific planning for the prevention of sickness.

Madasamy and Xavier (2002) conducted a pilot survey on 275 respondents for analyzing the performance of 36 production and 39 sales centers (Khadi Gramodyog Bhavan, Khadi Vastralaya and Grama Shilpa in Sarvodya Sangh district located at Srivilliputtur town of Tamil Nadu). The problems identified are non-availability of skilled labour, delay in sanctioning loans from district institutions and settlement of rebates by State Board, absence of training centre, separate

research and development (R&D) cell for quality improvement and the adoption of uniform cost-oriented pricing policy.

Reddy (2003) evaluated the entrepreneurial process and identified problems of poverty, low capital base, insufficient base-security needed for securing financial assistance from development agencies, complex administrative procedures, lack of awareness about government schemes, non-cooperation by officers, low repayment of borrowed amount among 120 scheduled caste and scheduled tribes in three regions of Andhra Pradesh.

Tagoe, Nyarko and Anuwa-Aarh (2005) examined the impact of financial sector liberalization by reviewing documents and interviewing people from a bank, a non-bank financial institutions and the National Board for Small Scale Industries (NBSSI) on electric-mechanical, printing and manufacturing firms in Ghana. They identified the lack of access to formal credit attributed to differential risk perceptions of financial institutions, weak MSME-investors relations and persistent government borrowing leading to credit crunch for small enterprises.

There are so many issues related to MSMEs have been highlighted from the above literatures. However, our study specially is dealt with the role of WBFC in developing of MSMEs in the state of West Bengal. The State Financial Corporations since their inception directly and indirectly are assisting in different ways towards the development of small-scale industries. The present study tries to analyse the role of SFCs specially the West Bengal Financial Corporation in the development of MSMEs in West Bengal. Data have been collected from research papers, conference documents and annual reports of the State Financial Corporations including West Bengal Financial Corporation, SIDBI and RBI Handbook. We have used simple statistical tools to analyse data.

The study is divided into six sections. Section-II deals with meaning and concept of micro, small and medium scale enterprises. Evolution of State Financial Corporations is discussed in Section-III. An overview of the West Bengal State Financial Corporation is highlighted in Section-IV. Section-V discusses the analysis of role of WBFC in the development of MSMEs Sector. Section-VI concludes the study.

2. Meaning and Concept of Micro, Small and Medium Scale Enterprises

Micro enterprises are generally artisan-based, located mostly in rural and semi-urban areas. These enterprises use local skills and resources and sell their products locally. Lower level of investment in machinery require in these enterprises. They are spread throughout the country and include such activities as handlooms, khadi, sericulture, coir, bidi-making, embroidery knitting, wood-carving and other handicrafts. Small and medium enterprises use power driven machines and possess some technological sophistication. The market for these industries is relatively wide and quite often includes export market. Their products include hosiery goods, rubber goods, ready-made garments, motor-parts, electronic goods, sports goods and engineering goods.

In 1950, the government grouped small-scale industrial undertakings into two categories—those using power but employing less than 50 persons and those not using power but employing less than 100 persons. All small scale enterprises had capital investment of less than Rs. 5 lakh. In 1966, the small scale enterprises were defined as undertakings with a fixed capital investment of less than Rs.7.5 lakh and ancillaries with a fixed capital investment of Rs. 10 lakh. In 1975, this limit was revised to Rs. 10 lakh for small scale enterprises and Rs. 20 lakh for ancillaries. Subsequently, under the Industrial Policy Statement of 1980, this limit was further raised to Rs. 20 lakh in case of small scale industries and Rs. 25 lakh for ancillaries units. Simultaneously, in the case of tiny units, the limit of investment has been raised from Rs.1 lakh to Rs. 2 lakh. The government has again revised the investment limit of small-scale to Rs.35 lakh and for ancillary units to Rs. 45 lakh in 1985. The investment ceiling in plant and machinery for small scale industries has been raised from Rs. 35 to Rs. 60 lakh and correspondingly for ancillary units from Rs. 45 lakh to Rs. 75 lakh as per Industrial Policy Statement of 1990. Investment ceiling with respect to tiny units has been increased from Rs. 2 lakh to Rs. 5 lakh.

In 1997, on the recommendation of Abid Hussain Committee, the government has raised the investment limit on plant and machinery for small units and ancillaries from Rs. 60/75 lakh to Rs. 3 crore and that for tiny units from Rs.5 lakh to Rs.25 lakh. The government in 2000 has reduced the investment limit on plant and machinery from Rs. 3 crore to Rs. 1 crore, but the investment limit for investment in tiny units has been retained as Rs.25 lakh. Prior to the enactment of the Micro, Small and Medium Enterprises Development Act (MSMED) 2006, small industries in India comprised tiny, cottage, traditional village and modern small enterprises. The MSMED Act provides the first-ever legal framework recognizing the concept of enterprise (comprising both manufacturing and service entities), defining medium enterprises and integrating the three tiers of these enterprises, namely micro, small and medium. According to the MSMED act, MSMEs are classified into (a) enterprises engaged in the manufacture or production of goods and (b) enterprises engaged in providing or rendering services.

(a) **Manufacturing Enterprises** : The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 are called Manufacturing Enterprise. MSMEs have been defined based on investment in plant and machinery.

Manufacturing Enterprises	
Enterprises	Investment in Plant & Machinery
Micro Enterprises	Does not exceed rupees twenty five lakh
Small Enterprises	More than rupees twenty five lakh but does not exceed rupees five crore
Medium Enterprises	More than rupees five crore but does not exceed rupees ten crore

(b) **Service Enterprises** : The MSMEs engaged in providing or rendering of services are classified as below :

Service Enterprises	
Enterprises	Investment in Equipments
Micro Enterprises	Does not exceed rupees ten lakh
Small Enterprises	More than rupees ten lakh but does not exceed rupees two crore
Medium Enterprises	More than rupees two crore but does not exceed rupees five core

The MSMED Act defines 'enterprise' instead of industry to give due recognition to the service sector. This act also strengthens the legal provisions to check delayed payments to micro and small enterprises.

3. Evolution of State Financial Corporations in India

In order to provide medium and long-term credit to industrial units, Industrial Financial Corporation of India (IFCI) was set up under the Industrial Finance Corporation Act 1948. The objective was mainly to provide the credit to those undertakings, which fall outside the normal banking activity. The state governments also expressed their desire to set up similar corporations in the state to supplement the activities of the IFCI. Main intention of state governments that time was to provide financial assistance to small and medium scale industries within the state but outside the activities of the IFCI.

To implement the views expressed by the State Governments the State Financial Corporation Bill was introduced in Parliament in the year 1951. The State Financial Corporation Act passed in 1951 and empowered each state and union territory to establish State Financial Corporation with a view to provide financial assistance to micro, small and medium scale industries. It provides loan to sole trading concern, partnership firm, private limited companies and public limited companies.

At present, there are 18 State Financial Corporations in India. Out of these 17 were set up under the State Financial Corporations Act (SFCs) 1951. The Tamil Nadu Industrial Investment Corporation Ltd. established in 1949 under the Companies Act as Madras Industrial Investment Corporation, also functioning as SFC. Exhibit-1 shows the position of the State Financial Corporations in India.

Apart from the above SFCs, State Industrial Development Corporations (SIDCs) also act as SFCs for providing assistance to MSMEs in some states and union territories. The following states and union territories have SIDCs viz. Andaman & Nicobar, Arunachal Pradesh, Daman & Diu and Dadra & Nagar Haveli, Goa, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Pondicherry and Sikkim.

4. West Bengal Financial Corporation : An Overview

As per report of the 3rd All India Census of Industrial units, conducted during 2001-02, the number of registered SSI units in the State of West Bengal was 42,148 having employment of 2,54,811 persons and unregistered SSI units was about 7,29,240 which employed 19,14,295

persons from this sector is about 38% of the total export from the state. Hence, this sector needs more attention. Several studies show that this sector faces a lot of obstacles for further development. So, they need more institutional support either financial or non-financial. Different types of institutions either in the state level or central level are supporting MSMEs throughout the country in various ways. Out of these SFCs play a significant role to promote and development of MSMEs.

Exhibit 1 : State Financial Corporations & Year of Establishment

Sl.No.	Name of the State Financial Corporation	Year of Establishment
1.	Andhra Pradesh State Financial Corporation	1956
2.	Assam Financial Corporation	1954
3.	Bihar State Financial Corporation	1954
4.	Delhi Financial Corporation	1967
5.	Gujarat State Financial Corporation	1960
6.	Haryana State Financial Corporation	1967
7.	Himachal Pradesh Financial Corporation	1955
8.	Jammu and Kashmir State Financial Corporation	1955
9.	Karnataka State Financial Corporation	1955
10.	Kerala Financial Corporation	1953
11.	Madhya Pradesh Financial Corporation	1955
12.	Maharashtra State Financial Corporation	1956
13.	Orissa State Financial Corporation	1956
14.	Punjab Financial Corporation	1955
15.	Rajasthan Financial Corporation	1955
16.	Tamil Nadu Industrial Investment Corporation Limited	1949
17.	Uttar Pradesh Financial Corporation	1954
18.	West Bengal Financial Corporation	1954

The West Bengal Financial Corporation (WBFC) is a state level financial institution established in 1954. The WBFC has its active presence throughout the state by its regional offices. Currently it has 14 branches, three regional offices and its head office situated at Kolkata. Its regional offices are duly equipped to coordinate the activities in the North Bengal as well as South Bengal.

WBFC has been catering to the financial needs of tiny, small and medium scale units within the state of West Bengal through its well-knit branch network. It helps the micro, small and medium enterprises to implement their new projects, expansion of the existing projects and

modernization or technological up-gradation of their schemes. Currently its assistance has been extended to more than 42 different types of industries. The following types of industries are being benefitted from the WBFC such as (i) coal mining, (ii) metal mining, (iii) crude petroleum and natural gas, (iv) food processing, (v) mineral water, (vi) beverage industries, (vii) manufacturer of tobacco, (viii) manufacturer of footwear, (ix) other wearing apparel and made up of textile goods, (x) manufacturer of wood, wood products and cork, (xi) manufacturer of furniture and fixture, (xii) manufacturer of paper and paper products, (xiii) printing, publishing, packaging and allied industries, (xiv) manufacturer of leather and leather products, (xv) manufacturer of rubber and jute products, (xvi) manufacturer of chemical and chemical products including pharmaceutical, (xv) stone quarrying clay and sandpit, other non-mineral water industry, (xv) manufacturer of petroleum and coal products, (xvi) basic metal industries, (xvii) manufacturer of metal products, (xviii) manufacturer of machinery, (xix) manufacturer of electrical and telecom machinery, (xx) manufacturer of transport equipments etc.

The Policy Statement of WBFC is as follows:

“WBFC is committed to help genuine entrepreneurs in the micro, small, and medium sector enterprises in achieving their goals in setting up new manufacturing and service industries or modernizing and/or expanding their existing units, by providing timely financial inputs at reasonable interest rates. It also helps such entrepreneurs to receive assistance from other departments of the central and state governments in obtaining allied services for realization of their dreams. And, is also committed in continually improving its internal processes and systems.”

Till date, the Corporation has its credit exposures to agro based processing, engineering, software, readymade garments, hosiery & knitting, hotels, healthcare, nursing homes, pharmaceuticals, hatcheries and many other industries and services. The WBFC has been operating as an 'A' category SFC in terms of SIDBI categorization. WBFC has been granted the right and license to be listed in the BIS's register of Licenses of Quality Management Systems Certification in accordance with IS/ISO 9001:2008, from January 2010 through January 2013 with a renewal basis.

5. Analysis of Role of WBFC in the Development of MSMEs Sector

Like other SFCs in India, the WBFC has been devoting itself to the task of promotion and development of the small scale industries of the state for the last 57 years. Despite all odds, the Corporation has been marching ahead by registering increases in the amount of sanction, disbursement and recovery of credit. WBFC always acts in close coordination with the state level promotional and development agencies, commercial banks, the Government and others.

Counseling and timely delivery of credit to the entrepreneurs in need are the facets of its mission. The Corporation has a strong determination to continue its helping hand to the development of the under-privileged segments of the industrial economy of the state to make

it adequately strong and capable of meeting the challenges of the days ahead. It has an organized cell to undertake appraisal of the industrial projects. Timely follow-up of the projects for implementation and to carry on liaison with other co-agencies, amongst others are its one of objectives to ensure successful launching of newer projects.

WBFC provides loans to MSMEs at reasonable interest rate, so that they can take the advantages of loans. Their repayment period is also determined after making the consultation with them. Interest rates charged by WBFC is between 10% to 13.75%.

The principal areas of concern affecting the development of the MSMEs sector identified by various studies include:

- ◆ Limited access and cost of finance;
- ◆ Lack of marketing skills and market knowledge;
- ◆ Inadequate management and entrepreneurial skills;
- ◆ Lack of access to infrastructure;
- ◆ Lack of access to land;
- ◆ Inappropriate technology;
- ◆ Lack of information, and
- ◆ A hostile regulatory environment.

Over the time WBFC is offering based on the needs of MSMEs, 10 types schemes for different categories of enterprises which are summarized in Exhibit 2.

Finally, the WBFC is offering financial assistance in the following purposes to MSMEs:

- ◆ New projects
- ◆ Expansion of the existing projects
- ◆ Diversification of activities
- ◆ Rehabilitation
- ◆ Modernization

It offers long and medium-term loan which is repayable ordinarily within a period not exceeding 20 years. It grants financial assistance to any single industrial concern under corporate or co-operative sector as also to partnership, sole proprietorship or Joint Hindu Family. It also provides financial assistance generally to those industrial concerns whose paid up share capital and free reserves do not exceed Rs. 3 crore and to lay special emphasis on the development of backward areas and small scale industries. It subscribes or purchases the stock, shares, bonds or debentures of an industrial concern subject to a maximum of 30 percent of the subscribed capital or 30 percent of paid up share capital and free reserve of the concern, whichever is less.

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Exhibit 2: Schemes Offered by WBFC

Name of the Scheme	Eligible Sector	Purpose of Scheme	Amount of Loan
(i) General Scheme	Tiny, small scale industries, medium scale industries and service sector	<ul style="list-style-type: none"> ♦ For acquiring fixed and/or current assets for setting up new industrial/ service unit for expanding modernizing, diversifying of units. ♦ For professional practice such as consultancy venture, tourism related activities, rendering medical services, setting up restaurants/infrastructure, information technology projects, construction projects transport sector etc. 	<ul style="list-style-type: none"> ♦ For proprietary firm, partnership firm may get Rs. 2 Crore (may raise upto Rs.8 Crore) ♦ For others the amount of loan is Rs. 5 Crore (may raise upto Rs. 20 Crore on case to case basis and subject to availability of clearance from SIDBI).
(ii) Composite Loan Scheme (CLS)	Tiny Sector	For acquiring fixed assets and/or working capital	<ul style="list-style-type: none"> ♦ Rs. 1.50 Lakh (Max.) only under Bangla Swanirbhar Karmasansthan Prakaipa (BSKP) ♦ Rs.0.50 Lakh (Max.) in other Cases
(iii) Scheme for Small Road Transport Operators (SRTO)	Service sector	For acquiring new passenger, commercial vehicles and for meeting initial taxes, insurances etc.	75% of Project Cost (Maximum Vehicle-20)
(iv) National Equity Fund Scheme (NEFS)	Tiny Sector, SSI and Service Sector	Same as applicable under General Scheme	<ul style="list-style-type: none"> ♦ Term Loan Rs. 32.50 Lakh (Max.) ♦ Soft Loan Rs. 10.00 Lakh (Max.)
(v) Single Window Scheme (SWS)	Tiny Sector, SSI and Service Sector	For acquiring both fixed assets and as working capital for acquiring current assets	Rs. 1.34 Crore (Max.) (Including term and working capital loan)
(vi) Technology Development and Modernization Scheme (TDMS)	Tiny Sector, SSI and to units graduating to MSI (within an overall investment ceiling of Rs. 375 Lakh in Plant and Machinery) form SSI	<ul style="list-style-type: none"> ♦ For acquiring capital equipment, need based civil work (not exceeding 25% of the Project Cost) ♦ For acquisition of additional land ♦ Acquisition of technical knowhow, deigns, drawings and fashion forecast, where relevant to specific product group. ♦ Upgradation of process technology and products with thrust on quality improvement 	Rs. 0.67 crore (max.)

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Name of the Scheme	Eligible Sector	Purpose of Scheme	Amount of Loan
(vii) Technology Upgradation Fund Scheme for Jute and Textile Industry (TUFSTI)	Tiny Sector, SSI and MSI (units may be new or existing)	<ul style="list-style-type: none"> ♦ Technology upgradation and modernization of production facilities ♦ Units engaged in twisting, wool scouring and combing, synthetic filament yarn texturing, crimping and twisting, spinning, viscose filament yarn weaving, knitting including non-woven fabric embroidery and technical textiles, garments and made up manufacturing, processing of fibers, yarn, fabrics, garments and made-ups are eligible borrowers. 	Same as applicable under General Scheme
(viii) Equipment Refinance Scheme(ERS)	Tiny Sector, SSI and Service Sector (units may be new or existing)	<ul style="list-style-type: none"> ♦ Acquisition of machinery/equipment, including DG set, indigenous/imported, which are not related to any specific project ♦ Additional need based civil work at the existing location, miscellaneous fixed assets, additional MWC (not exceeding 25% of the project cost) may also be considered. 	Same as applicable under General Scheme
(ix) Extended Credit Facility Scheme (EFS)	Tiny Sector, SSI and MSI (units may be new or existing)	<ul style="list-style-type: none"> ♦ Acquisition of machinery/equipment, including DG set, indigenous/imported, which are not related to any specific project ♦ Additional need based civil work at the existing location, miscellaneous fixed assets, additional MWC (not exceeding 25% of the project cost) may also be considered. 	Same as applicable under General Scheme
(x) Working Capital-cum-Term Loan Scheme (WCTLS)	Small & Medium Enterprise. Existing borrowers of the Corporation having excellent track records are primarily eligible. However, existing good units not assisted earlier will also be considered on merit.	♦ For financing working capital	Need based working capital requirement less margin of 25%

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Purpose wise financial assistances to MSMEs provided by the WBFC are shown in Exhibit-3.

Exhibit 3 : Purpose-wise Loan Sanctioned for the Period from 2008-09 to 2009-10

Nature of Assistance	2009-10		2008-09		Since Inception	
	Number of Units	Amount (Rs. in lakh)	Number of Units	Amount (Rs. in lakh)	Number of Units	Amount (Rs. in lakh)
New projects	125	10,889.28	201	11,069.54	16,704	127,348.19
Expansions	126	9,360.75	97	6,314.66	4,943	66,504.33
Diversifications	1	300	2	146	49	1,093.17
Rehabilitations	5	112.59	0	0	65	1,021.32
Modernizations	21	2,795.71	18	1291.55	252	9,162.87
Total	277	12,579.9393	318	18,821.75	22,013	2,27,142.88

Source : Annual Reports of WBFC

From Exhibit 3 it has been found since inception WBFC provided more assistances to new project units. In the financial year 2009-10, 125 units were benefited from this institution with an amount of Rs. 10,889.28 lakh, although the amount was slightly higher in the previous year. 126 industrial units received financial assistance for their expansion purpose during the financial year 2009-10 and the amount was Rs. 9,360.75 lakh, whereas in financial year 2008-09, Rs. 6,314.66 lakh was sanctioned for 97 units. Since inception to 2009-10, total 4,943 SSI units got financial assistance for their expansions and an amount of was Rs. 66,504.33 lakh sanctioned to them. In financial year 2009-10, only one unit got assistance for diversification purpose and an amount of Rs. 300 lakh was assisted. For modernization of existing units, WBFC granted assistances to 21 different industrial units an amount of Rs. 2,795.71 lakh in the financial year 2009-10. Since inception till the financial year 2009-10, almost 22,013 MSMEs benefited from the WBFC with an amount Rs. 2,27,142.88 lakh.

WBFC offers loan to different sectors of MSMEs. Exhibit-4 shows the sector wise loan sanctioned for the period from 2008-09 to 2009-10.

Exhibit 4 : Sector wise Loan Sanctioned for the Years 2008-09 and 2009-10

Sector	2008-09		2009-10	
	No. of Units	Amount (Rs. in Lakh)	No. of Units	Amount (Rs. in Lakh)
Micro & SSI units	175	12210	227	13268
Small Road Transport Operators (SRTO)	30	99	30	169
Medium Scale Enterprises (MSE)	36	6617	51	10190
Total	241	18920	308	23627

Source : Annual Reports of WBFC

In the financial year 2009-10, 227 micro and SSI units got assistance from the WBFC an amount of Rs.13, 268 lakh, whereas in the previous financial year the number was 175 and the

loan sanctioned was Rs. 12,210 lakh. In case of Small Road Transport Operators sector, number of units are same in both the years though amount of assistance much higher in financial year 2009-10. Medium scale units assisted by Rs. 10,190 lakh in the financial year 2009-10 whereas in the previous year the amount was Rs. 6,617 lakh.

Trend of loan disbursement and number of units of MSMEs benefitted for the period from 1999-2000 to 2009-10 are shown in Exhibit 5.

Exhibit 5 : Trend of Loan Disbursement from 1999-2000 to 2009-2010

Year	Number of units	Amount Disbursed (Rs. in Lakh)	Loan disbursed per unit (Rs. in Lakh)	% of Increase or Decrease in loan per unit
1999-00	494	7996	16.186	—
2000-01	667	9492	14.231	(12.078)%
2001-02	749	14400	19.225	35.092%
2002-03	595	14170	23.815	23.875%
2003-04	338	11778	34.846	46.319%
2004-05	382	18148	47.507	34.334%
2005-06	368	18996	51.619	8.655%
2006-07	263	16067	61.091	18.349%
2007-08	271	18920	69.815	14.280%
2008-09	241	18920	78.506	12.448%
2009-10	308	23637	76.711	24.878%

Source : Annual Report of WBFC, Various years

Descriptive Statistics

Variables	Minimum	Maximum	Sum	Mean	Std. Deviation
Number of units	241.00	749.00	4676.00	425.0909	175.32054
Amount Disbursed	7996.00	23637.00	172524.00	15684.0000	4669.31286

Loan disbursed per unit is positively increasing over the years except the year of 2000-01. Although the total amount of loan disbursed as well as number of units in the year 2000-01 was more than the year of 1999-2000. From the above exhibit it has been found that during the period minimum and maximum numbers of units were sanctioned loan assistance in the year 2008-09 and 2001-02 respectively. Total numbers of units were benefitted during the period was 4676.

For proper managing the different types of activities relating to the receiving of loan proposal, managing of such proposal, disbursement of loan, WBFC divided the entire state into four categories. Exhibit-6 shows the disbursement of loan based on geographical spectrum.

Overall growth of loan disbursement is 12% in financial year 2009-10 in comparison with the previous year 2008-09. Category 'B' districts consisted the industry-oriented seven districts and almost 75.74% of the total loan has been disbursed in financial year 2009-10 whereas in Category 'D' districts captured only 6.29% of the total loan in financial year 2009-10. Category

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'A' districts covered only by the Kolkata Municipal Corporation and loan disbursed to MSMEs was 10.66% of the total loan in the financial year 2009-2010.

Exhibit 6 : Geographical Spectrum of Disbursement of Loan

Category	Districts	Loan Disbursement 2008-2009		Loan Disbursement 2009-2010		Percentage of growth/(fall) w.r.t. to 2008-2009
		Rs. in Lakh	Percentage	Rs. in Lakh	Percentage	
A.	Kolkata Municipal Corporation (KMDA area)	3,144	18.86%	1,993	10.66%	(37)%
B.	North and South 24 PGS, Howrah, Hooghly, Bardhaman, Nadia & Purba Medinipur	8,463	50.77%	14,155	75.74%	67%
C.	Murshidabad, Birbhum, Malda, Jalpaiguri and Darjeeling	577	3.46%	1,367	7.31%	137%
D.	Purulia, Bankura, Pashchim Medinipur, Uttar and Dakshin Dinajpur, Coochbehar and Sunderban Areas	4,484	26.91%	1,173	6.29%	(74)%
	Total	16,668	100%	18,688	100%	12%

Loan sanctioned, disbursement, recovery and number of units of MSMEs benefitted for the period from 2000-01 to 2009-10 are shown in Exhibit 7.

Exhibit 7 : Loan Sanctioned, Disbursement, Recovery and No. of Sanctioned Units for the Period from 2000-2001 to 2009-2010

Year	Sanctioned Units	Loan Sanctioned (Rs. in Lakh)	Loan Disbursement (Rs. in Lakh)	Total Recovery (Rs. in Lakh)
2000-01	667	9492	6879	9327
2001-02	795	14400	9586	10137
2002-03	595	14170	10600	12484
2003-04	338	11778	10137	14433
2004-05	377	17803	11098	15774
2005-06	368	18996	11472	11824
2006-07	263	16067	13525	12849
2007-08	271	21955	14537	15727
2008-09	241	18920	16668	15907
2009-10	308	23637	18688	18206
Total	4223	167218	123190	136668

Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation
Sanctioned Units	241.00	795.00	422.30	192.90703
Loan Sanctioned	9492.00	23637.00	16721.80	4414.89655
Loan Disbursement	6879.00	18688.00	12319.00	3540.85906
Total Recovery	9327.00	18206.00	13666.80	2821.57733

Correlation between Loan Sanctioned and Loan Disbursement

Variables	Tests	Loan Sanctioned	Loan Disbursement
Loan Sanctioned	Pearson Correlation	1	.867(**)
	Sig. (2-tailed)	.	.001
	N	10	10
Loan Disbursement	Pearson Correlation	.867(**)	1
	Sig. (2-tailed)	.001	.
	N	10	10

** Correlation is significant at the 0.01 level (2-tailed).

It has been found from the above exhibit that total amount of loan assistance sanctioned during the period from 2000-01 to 2009-10 was Rs. 167,218 lakh for 4223 units. At the same period Rs.123,190 Lakh was disbursed and Rs.136,668 lakh was recovered from the MEMEs. The loan recovery rate is highly satisfactory. The average loan sanctioned, disbursed and recovery were Rs.16,721.80; 12,319.00; 13666.80 lakh respectively. It is further observed that there is a positive correlation between loan sanctioned and disbursement which is .867 and significant at the 1% level.

Along with financial assistances, WBFC also provides non-financial assistances which are basically fee-based services to the MSMEs. Some of the services mentioned below:

- ◆ Project advisory and investment appraisal of small scale units;
- ◆ Project conceptualization and related services. It includes the followings— (i) guidance in relation to selection of projects; (ii) preparation of feasibility studies, capital structuring, techno-economic feasibility, financial engineering, project management design etc.
- ◆ Provides guarantee for loans raised by industrial units from commercial banks and state cooperative banks.
- ◆ Subscribe the shares, bonds and debentures of industrial concerns but not of any company having limited liability.
- ◆ Underwrite the issue of shares, bonds and debentures of industrial concerns.
- ◆ Documentation of various project documents.
- ◆ Placement of debt–equity including (i) design of the structure of instruments (ii) placement of instruments with financial institutions, bank etc.

- ◆ Provides guarantee for loans raised by industrial concerns which is re-payable within a period not exceeding 20 years and which are floated in the public market.
- ◆ Provides guarantee for deferred payments in cases where industrial units have purchased capital goods on a deferred payment basis.
- ◆ Assist in organizational structural changes like : (i) analysis of operational performance (ii) study of existing organizational structure (iii) study of the existing statutes and rules and regulations (iv) market analysis with respect to products (v) review of domestic and international scenario (vi) valuation of fixed assets and inventory (vii) advising on formation of new entity (viii) preparation of relevant agreements/legal documents.
- ◆ Provides guarantee for deferred payments in cases where industrial units have purchased capital goods on a deferred payment basis etc.

VI. Conclusion and Suggestions

State Financial Corporations are playing an active role for promoting and developing of MSMEs throughout the country. The activity of WBFC towards the development of MSMEs within its limited financial capacity is also praiseworthy. WBFC is also continuously trying to reach more and more small-scale units in the state of West Bengal. Its increasing rate of loan assistance brings MSMEs from sick units to a viable one in so many cases. It has been found that few districts of the state are not getting this assistance adequately. The reason might be either insufficient number of encouraging entrepreneurs, or unable to set up new projects in their areas. So, WBFC should establish more branches in rural districts particularly in Birbhum, Coochbehar, Dakshin Dinajpur, Malda, Murshidabad and Paschim Medinipur. WBFC should arrange some short-term courses for entrepreneur, relating to training and other technical issues. To make an effective promoter of the MSMEs sector, it may also offer awareness training programmes to the potential small entrepreneurs even with the help of District Industries Centre (DIC) and also organize to assist special type soft loan for the MSMEs so that inclusive growth would be achieved. Their loan payment procedures also require making somehow easy so that the small entrepreneur can understand and access financial and other assistance.

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